A study of the impact on the lending policy of the Hong Kong Banking industry under the New BIS Capital Adequacy Ruling

by

Lau Man Pong
劉文邦
Siu Lai Lai Ying, Joan
蕭黎麗英
Tsui Siu Kwan, Stephen
徐少群

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Name : Lau Man Pong,
Siu Lai Lai Ying, Joan,
Tsui Siu Kwan, Stephen

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Mr. D.L.Hsu

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Abstract

Six years ago, the Basle Committee on Banking Supervision of the Bank of International Settlement announced the ground-breaking Basle Accord, setting out the minimum capital standards for banks in Group of Ten (G-10) countries. Based on a concept of weighting assets according to their perceived level of risk and assessing the adequacy of capital on the risk-adjusted assets, the accord was intended to set a fair and prudent rules for banks to follow while doing their business. However, there were a lot of criticism over the fairness and the side-effects caused by the Accords. Since lending is the core business of a Bank, this is a study to look at the impact on the lending policy of the Hong Kong Banking industry under the new BIS Capital Adequacy Ruling.

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Chapter I

An Overview of BIS Rulings

In July 1988, the Basle Committee of the Bank of International Settlement (BIS) organization has introduced a new rule for banks to follow in conducting their business. On the surface, there were two objectives to the new rule : 1) to ensure the depositors' confidence on the banking system by ensuring the safety of banks deposits, and 2) was to restrain the overly rapid and imprudent growth in banks balance sheet by means of ensuring the Capital-Asset relationship to move in tandem (we will discuss the objective more in detail later in the paper). Although the new rule was initially set for banks in the Group of ten countries (G10)[1] and Luxembourg to use which took effect January 1993, many countries around the world have follow-suit and have also imposed this new rule into their own banking industries. The new rule was known as the "**BASLE CAPITAL ACCORD**".

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1 G10 = Belgium, Canada, France, Germany, Italy, Japan, Netherlands, Sweden, Switzerland, United Kingdom, and Unite States.

While Hong Kong is a well known international financial center, it is very natural that Banks in Hong Kong will have to subscribe to this new rule if they wish to compete in international banking.

1.1 Definition

In brief, the Basle Capital Accord promote convergence of international capital standard. Based on a concept of weighting assets according to their perceived level of risk and assessing the adequacy of capital on the risk-adjusted assets, the Accord set out a standard framework to measure the "Capital Adequacy" requirement for banks. To achieve the objective, the new rule mandate all banks to maintain a the minimum Capital Adequacy Ratio (risk adjusted) for a bank to be 1) **at least 8% of the (Risk Weighted) assets**, and 2) **at least 50% of the equity based should be pure equity (dollar capital injection by shareholders) as opposed to subordinated loans and other such quasi equity .**

Traditionally, Capital Adequacy Ratio works more like a gearing ratio (a pool of capital against total assets). It provides an indication of the financial strength of a bank to cushion against any unexpected loss. For example, Two banks (A & B) of similar size and a commercial loan portfolio of 125 million in the Assets. However, on the Liabilities side, Bank A's liabilities are composed of a deposit portfolio of 100 million and a borrowing of 15 million, whereas Bank B's liabilities have a deposit portfolio of 100 million and a borrowing of 20 million. To equate the balance sheet, Bank A's equity is 10 million and Bank B's equity is 5 million.

	Bank A	Bank B
ASSETS :		
Loans Given	125 m	125 m
	125 m	125 m
LIABILITIES :		
Deposits	100 m	100 m
Borrowings	15 m	20 m
EQUITY :	10 m	5 m
	125 m	125 m

Although both banks were about the same size with the same level of loans given and same size of deposits, Bank B is more risky than Bank A. From a depositors point of view, Bank A can write off 8% of its customer's loans (banks' ASSETS) or 10 million before the depositors' risk losing part of their deposit. Whereas Bank B can only allow 4% or (5 million) of its customer'sloans to go bad before the depositor run a similar risk.

Unlike the traditional measuring tools for many banking supervisors, the new rule looks beyond the gearing or volume leveraging perspective. The new Capital Adequacy Ratio under the

Accord is more sensitive to **the riskyness** of the banks' assets portfolio as well as its capital base.

The new Capital Adequacy Ratio is in the form :-

"Adjusted Capital Base" divided by **"Risk Weighted Assets".**

Risk Weighted Assets (RIWAC)

"Risk Weighted Assets" are arrived at by applying a "Risk Weighting" to each of the various classes of assets of a bank. For example, lending to commercial customers usually carries a weighting of 1 and 0.5 for mortgages. The BASLE CAPITAL ACCORD recognize up to 100 different types of assets. Different criteria have been applied to categorize the relative riskyness of assets. Particular attention was drawn to the following aspects of the structure :-

1) Credit Risk
2) Country Transfer Risk
3) Interest Rate/investment/exchange rate risk

Credit Risk or (risk of counterpart default) is the central focus of the Accords framework. A detailed weighting table for Hong Kong is attached in the (Appendix 1) and the following is a table showing a brief weighing summary of major classes of assets:-

Table 1

Assets	**Weighting**
A) On Balance Sheet items	
1) Cash, gold and loans to central governments and central banks.	0%
2) Holdings of central governments' securities.	10%
3) Claims on banks and holdings of central governments' security not classified under 2) above.	20%
4) Mortgages	50%
5) Normal commercial lending	100%
B) Off Balance Sheet items	
1) Cancellable short-term loans committments	0%
2) Commercial letters of credit	20%
3) Long-term loan Committments	50%
4) Selected Forward agreement	100%

Country Transfer Risk is a further aspect of credit risk. The Accords made a distinction between OECD and non OECD countries[2].

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2. Members of the OECD :-

Australia Austria Belgium Canada Denmark
Finland France Germany Greese
Iceland Ireland Italy Japan Luxembourg
Netherlands New Zealand Norway Portugal Saudi
Arabia Spain Sweden Switzerland
Turkey United Kingdom United States

Due to the fact that the Accords was drafted by a group of OECD countries, the Accords granted a more favorable weighting to counterparts incorporated in OECD countries. An OECD bank is a bank incorporated in the OECD, irrespective of the country of incorporation of its ultimate parent (i.e. physical location is not a critical factor). In fact, this is one of the most criticized issue surrounding the BIS Accord. Since the risk based under the Accord does not address credit quality, other than to broadly categorize OECD vs. non-OECD government and depository institution risk, the classification criteria contain several anomalies. For example, loans made to financial institutions in OECD, including troubled institutions, only count a 20% weighting, while loans to all commercial entities in non-OECD, including high credit worth entities, receive a 100% risk weighting. This example tells us two issues. First, banks will be more willing to lend to OECD financial institution than to those in non-OECD countries because those ASSETs will only be counted at 20%. Thus with a fixed sum of Capital investment, a bank can leverage their balance five time as much and yield much higher return for their shareholders as long as they are part of OECD and have their assets in OECD risk. Because both Hong Kong , China , Korea, Macau are not part of the OECD, banks in these countries will have to competes under a less favorable weighting scale.

Besides credit risk, price risk such as **interest rate,investment, and exchange rate risk** are the secondary focus of the Accords risk adjustment framework. For assets like government securities, the Accords give a 10% weighting for such securities with maturity of less than one year, and 20% for one year and beyond. And in assets such as short term interbank claims, the Accords made no differentiation between banks incorporated within and outside the OECD (all 20% weight). But for long term interbank claims, the non-OECD banks (such as all banks in Hong Kong) will be penalized with weighting at 100 percent while OECD banks are still weighted at 20%.

Adjusted Capital Base

After examining the denominator (**Risk Weighted Assets**) of the ratio formula, it is time to look at the nominator (**Adjusted Capital Base**) in this section.

There are 2 basic categories of CAPITAL. Category 1 is the **Core Capital** or the **TIER 1 Capital** and category 2 is the **Supplementary Capital** or the **TIER 2 Capital.**

Core Capital :

Core capital is more or less the usual items one can find in any bank's capital section.

- Paid up ordinary share capital
- Share premium
- Profit and loss account

- Irredeemable non-cumulative preference shares
- Reserves
- Minority interest

Supplementary Capital :

- Inner reserves
- General provisions for doubtful debt
- Term subordinated debt
- Reserves on revaluation of property
- Perpetual subordinated debt
- Term preference shares
- Latent reserves on revaluation of long term holdings of equity security
- Irredeemable cumulative preference shares
- Minority interest (in supplementary equity capital)

In addition to the two tiers capital classification system, there are three more regulatory restrictions on bank's capital structure. The first one is the Tier 2 capital should not exceed the Tier 1 capital, and the second one is that any dated subordinated debt should not exceed 50% of Tier 1 capital. And last but not least, all Capital will have to be adjusted and weighted by a risk percentage as described in the previous section.

1.2 Reasons For the creation of BIS Ruling on Capital Adequacy

Back in the 70's and 80's when exchange controls were removed and interest rates were deregulated in many major markets, major banks of the world had encountered a number of new phenomena which had altered the ways of banking. First, due to new communication technologies, true international banking had become a reality in the 80's. As the global market place became smaller, competition was naturally intensified. When competition intensified, profit margin was being push to a very unhealth level. Thus in order to maximize profit, banks were force to leverage further by expending their balance sheet to gear up the thin profit margin and to take on more risky assets for higher return. As a result, a rapid expansion of balance sheet with high risk assets has became the norm in the international banking industry. Second, de-intermediarization in banking was a major trend in the 80's. As many corporate entities went to the capital market for funds, the demand for banks loans was materially reduced. This decreases in loan demand had created downward pressure on bank's return. In order to maintain growth and increase profitability, many banks thus have to look elsewhere to take assets and utilize their balance sheet to boost return. As a result, many banks in the 70's and 80's had replaced their thin margin, highly competitive corporate lending with the high margin, large volume less developed countries (LCD) debt. Therefore, the third phenomena in the 70's and 80's was the rapid expansion in banks balance sheet with high risk less developed countries (LDC) loans. Finally, as exchange controls were removed and interest rates were deregulated, exposures to interest rates and exchange rates have become prime concern for banks. In order to manage the growing market rate risk, many new financial and risk management products were developed. The so call **financial derivative** instruments had caused a rapid increases in off-balance items for banks. Therefore, the traditional supervisory tools such as capital adequacy ratio (CAR) or the liquidity ratio were no longer adequate to measure the strength of banks.

In brief, banks were faced with **increased competition** in the 80's while at the same time confronted **with the deterioration in the quality of their asset** (bank loans to the less developed countries (LDC)) along with a rapid increases of their balance sheets.

As there are no sign of improvement in the banking environment, the world's major banks will, in the years ahead, assume more risk and face more global competition.

The objectives of the convergence of capital standard is therefore, to establish a framework among the Group of ten countries to measure the size of the bank's capital and to set up the standard on capital adequacy to cover bank's exposure to risk. Its primary focus are to strengthen the stability of the international banking system by rising capital standards and to remove inequality competition in international banking.

Chapter II

The BANKING INDUSTRY of Hong Kong

2.1 BACKGROUND

The growth of Hong Kong as a leading global financial center has been rapid. In 1972, there were only 74 banks, including 27 overseas banks and 47 local or Chinese banks. At the end of 1993, there were 172 licenced banks, where 30 were locally registered. One of the key reasons for the establishment of these overseas banks in Hong Kong is the business opportunities with China. Furthermore, the emergence of the Asia Pacific region as an economic zone has lure many international banks to do their business here.

As at December 1993, Hong Kong had 371 authorized institutions, of which 311 were overseas incorporated (Appendix 2). Over 84% of the banks are foreign institutions. The authorized institutions are divided into three categories: licensed banks, restricted license banks and deposit taking companies. Among the 371 authorized institutions , 172 were licensed banks, 57 restricted licensed banks and 142 deposit taking companies. Over 74% of the authorized institutions' balance sheet was in foreign currencies. Of the world's top 100 banks ranked by assets, 81 had a presence in Hong

Kong. These figures reflected the foreign banks' perception to be represented in Hong Kong and the important status of Hong Kong as an international financial center. Local representative offices also have a presence in Hong Kong. In future, more local representative offices would wish to upgrade to branch status.

The Government has always employed a 'laissez faire' attitude towards the banking industry to regulate itself. Authorities are constantly faced with the dilemma of how to protect the depositors' interests without being over stringent which would lose their competitiveness or too liberal which would otherwise be risky. The regulation which Hong Kong adopt should be compatible with international standards because of the large number of foreign institution here. The introduction and required conformance to the capital adequacy ratio represents a significant improvement. In compliance with the capital adequacy ratio, authorized institutions ensure that they have enough capital base as a cushioning effect against any unexpected loss and to provide stability to the system as a whole.

2.2 LENDING ACTIVITIES OF HONG KONG'S COMMERCIAL BANKS IN 1993

As the data shows in 1993 in (Appendix 3) that the growth in total lending rose from 10% in 1992 to 16% in 1993. Total loans and advances in 1992 was HK$2,470 billion and increased to HK$2,857 billion in 1993 (Appendix 3), due to rapid rise in both domestic and offshore loans. Strong economic activities caused loans for domestic uses to increase by 18% from HK$999 billion in 1992 to HK$1,178 billion in 1993 (Appendix 4).

About 35% of the loans were used for commercial, residential and other properties. The growth rate of loans for construction, building, property development and investment accelerated from 15% in 1992 to 26% in 1993. Despite the 70% ceiling imposed on private residential mortgage by institutions in early 1993, property prices continued to move upwards and demand for property related loans continued to increase in December 1993.

The active stock market in 1993 also saw loans related to share financing increased by 37%. These loans were used for financing needs in initial public offerings and accounted for 2% of total domestic lending.

Lending to finance companies and investment companies also rose strongly by 27% compared to 8% in 1992. Other uses of loans included loans to personal sector; credit card advances, consumer loans and trade financing loans. Including home mortgage loans, there was a tendency that the proportion in personal sector lending was becoming a major part in the loan portfolio of the banking industry.

Loans for use outside Hong Kong picked up from 10% in 1992 to 14% in 1993. Lending were largely funded by customers' deposits. The deposits in Hong Kong dollars grew faster than Hong Kong dollar loans resulting in a surplus which was reflected by a reduction in net interbank borrowing and some switching to other currencies. On the contrary, foreign currency loans grew faster than that in deposits, resulting in net interbank borrowing.

The Hong Kong dollar loan/deposit ratio of 112% in 1993 was a significant improvement from the previous years (Appendix 12). Local banks showed a stable ratio for the last five years at around 75% and Chinese banks had improved their ratios from 93% in 1989 to 80% in 1993. All banks showed improvements with the exceptions of restricted license banks and deposit taking companies can be explained by their funding practices which are generally wholesale in nature.

2.3 APPLICATION OF CAPITAL ADEQUACY RATIO IN HONG KONG

The capital adequacy ratio first came to being in Hong Kong in 1988. Under the Banking Ordinance, institutions had to meet the minimum capital ratio of 5%. The ratio was changed in 1989, 3 years before the final date for corresponding fully with the Basle Committee's proposed framework, Hong Kong had completed the changeover to the 8% recommended capital adequacy ratio. The capital adequacy ratio applies only to banks that are incorporated in Hong Kong.

The foreign banking institutions in Hong Kong are either subsidiaries or branches of overseas banks. This made it more reasonable for Hong Kong to follow an internationally accepted framework. As an international financial center, institutions in Hong Kong do not want to lose their competitive advantage to other countries by being too stringent, but on the other hand, they do not want to be perceived as too liberal or risky. The capital adequacy provided an uniform standard in which all authorized institutions can compete on a fair level.

The capital adequacy has forced locally incorporated banks to provide extra capital to meet its demand. In 1993, Tier 1 capital (mainly in paid up share capital and published reserves and profits), which consisted the major part of the total capital base had grown significantly reflecting the rise in profits and new share issues. As a result, the consolidated capital adequacy ratio for all locally incorporated institutions improved to 17% at end of 1993, compared with 16% a year earlier. The 17% is considered high by international standards and no institution fell below the statutory minimum ratio. The improvement in the ratio also reflected a decline in off-balance sheet items such as outstanding foreign exchange contracts and direct credit substitutes and increases in items such as interest rate contracts and transaction-related contingencies. Residential mortgages and other loans which attract a 100% risk weight contributed to the growth in on-balance sheet assets.

In order to compile to the capital adequacy, banks will have to allocate their capital resources more efficiently and to be as cost efficient as it should be. The effect on the scarcity of capital can be seen in pricing because banks want to maximize their return on equity as well as return on assets. Some banks may use the weighting as a way to measure price. As a result, some products may be priced as a remuneration of the capital required to produce the income. In 1993, fees and commissions which formed the major component of non-interest income was increased by 23% reflecting a shift in the banks' sources of income.

Chapter III

Objective of the study

There are three major objectives of our study . First, is to understand how the BASLE CAPITAL ACCORD can have an influence on capital and assets structure of a bank. With the impact of capital and assets structure being addressed, how will it affect bank's management in pricing their assets (or pricing policy on lending).

Second, due to the fact that two third of Hong Kong's Banks come from overseas, we want to find out whether there are significant differences between foreign banks and local banks in response to the Accord. Different response to the Accord will result in different pricing policy in loans and deposits. This will affect a banks ability and willingness in taking on additional assets (Loans) and liabilities (Deposits) onto their balance sheet in the future. In other words, competitive advantage between banks can be significantly affected by the degree of which a bank is operated under different capital standing.

And third is to understand the relationship between Capital Adequacy Ratio and the Return of a Bank from the shareholders point of view. This relationship tell us how a bank manage their balance sheet to yield the return for their shareholders. In brief, before the BIS ruling, shareholders only look at Return on Equity (ROE) as net income over equity. Since net income derive from the Return on Asset (earning from Loans), and since there are no limitation on capital (or leverage limitation), and no risk adjustment on assets, a bank can increase their lending to higher risk items and expend their assets/liabilities position to achieve their desire ROE level.

However, with the new Accord in force, Bank will be forced to look at return as "Return on Risk Weighted Assets and Contingent" (RORIWAC) as well as Return on Equity.

ROE = Net Income / Equity

Capital Adequacy Ratio (CAR) = Equity / Net Risk Weighted Assets Exposures

Therefore

RORIWAC = Net Income / Risk Weighted Assets

= Net Income / Equity x Equity / Risk Weighted Assets

= ROE x CAR

In other words, as capital constraints get tighter, banks' return will be limited by their ability to leverage and the riskyness of their assets (loan). Moreover, as banks emphasis is now on the **efficient utilization of capital**, the pressure on pricing should be rising as capital get tighter.

To begin the study, the following hypothesis was set :

Significant Differences Between Foreign Banks And Local Banks In Response To BIS Ruling on Capital Adequacy.

Chapter IV

Research Methodology

4.1 Research Design

In order to understand how BIS affects bank's lending policy and to find out whether there are significant differences between Local banks and Foreign banks in response to BIS ruling on capital adequacy, a descriptive study is conducted to determine in what aspects or actions and attitudes do the banks react often and try to find out are there any relationship to each other (the descriptive study is typically concerned with determining the frequency with which something occurs or the relationship between different variables).

4.2 Data Collection Method

4.2.1. Questionnaire

The questionnaire designed (enclosed) is a direct and structure one (see Appendix 6). It consists of three parts:

Section A --- there are 5-points scale ranging from strongly agree to strongly disagree for the respondents to give their opinion on the given statements concerning about the effect of BIS standard on capital adequacy ratio.

Section B --- there are closed-end, 5-points scale and multiple choices questions are designed to investigative the respondents' banks reaction on the BIS requirements.

Section C --- it is designed to get the background information of the respondents' banks, especially the origin, the capital and the assets of the bank.

At the end of questionnaire, respondent is invited to fill up his particulars so that they can be approached and an interview can be arranged to provide more information on this topic.

The questionnaire was mailed to the target respondents and requested them to mail back within 2 weeks.

4.2.2 Direct interview

After receiving the questionnaire, preliminary analysis on the information and data collected will be carried out (the methods used are described in section 4.4). Based upon the insights from the above analysis, structured questions are designed for the direct interview. The direct interview with the banks will be carried out by our group members.

4.3 Sampling Method

In Hong Kong, there are approximately 172 licensed banks register as a branch or headquarters, so it is possible to mail the questionnaire to all those banks to get the whole population sample. The addresses and the name of chief executive officer. of those banks can be obtained from the Directory which is published by The Hong Kong Association of Banks.

In order to carry out the direct interview effectively and gets those information useful to the analysis, the ideal sample is to select the same number of representatives from each type of banks (Japanese bank, Local bank and Foreign bank etc.). However, it greatly depends on the willingness of those respondents of the banks.

4.4 Analysis Techniques

The data get from the questionnaire will be coded (Appendix 7, Code Table) and be analyzed with the help of computer program (SPSS). The opinions and reactions of those respondents will be categorized by each kind of bank to see whether there are any significant differences between different types of banks. Frequency tabulation and central tendency will be the usual technique in the analysis. The frequency tabulation of all the variables, especially the banks' attitudes and actions take in responds to BIS ruling, will help to find out which kind of attitudes and actions are most often perceived and taken by the banks. In addition, responses from different origin of banks are separately analyzed to see whether there are any similarities or difference. The central tendency results can provide the average response of the banks' reactions. T-test will be used to test the significance of the. results, especially to see whether there are significant difference between the responses from local banks and Foreign banks.

The information gets from the direct interview will be independently analyzed since the sample is not so representative. The results cannot be inferred to the whole population, but it still valuable in the analysis.

Chapter V

Research Findings

5.1 Introductions

In Hong Kong, the response rate for the mailing questionnaire is low. There are 172 questionnaire mailed to all those registered banks but only 22 questionnaire are received back. The response rate is 12.7%. Among those returned questionnaire, only 18 questionnaire are valid for analysis. All the valid data collected had been processed through the help of SPSS program, and the computer output of the research results are enclosed (Appendix 8)

Some background information of the respondents' banks are summarized in table 2 as follows :

Table 2

Types of Banks	No. of Respondents
Japanese	7 (38.9%)
Local	6 (33.3%)
Foreign	5 (27.8%)

Capital Size	No. of Respondents
< 100m	0 (0%)
100m - 500m	2 (11.1%)
501m - 1000m	2 (11.1%)
> 1000m	14 (77.8%)

Assets Size	No. of Respondents
< 10b	0 (0%)
10b - 50b	1 (5.5%)
51b - 100b	2 (11.1%)
> 100b	14 (77.8%)

Remark : Local bank category includes those respondents which report that their banks are of China or local (HK) ownership. Foreign bank category includes all banks other than the category of Japanese bank and local bank.

5.2 Limitations On Data Analysis

Since the response rate is so low and the sample size of each type of respondents' banks is so small, the analysis below cannot be an inductive one.

It is assumed that the size of capital and assets of respondents' banks will affect their responses in replying the questionnaire. However, due to the small sample of respondents, it is difficult to have a comparative analysis on the above two variables (capital and assets) since their capital size and assets size are mainly (88.9%) concentrated above the range of HK$500 million and HK$50 billion respectively. Therefore, no comparative analysis is made in the following sections for different capital and assets of respondents' banks.

Among the 18 valid questionnaire collected, none of them are willing to arrange a direct interview to provide more information. Therefore, in analyzing the data, it is difficult to know the real reasons of the banks' reactions. Thus some assumptions and interpretations are made which may not represent the true case.

Besides, since the topic is rather sensitive to the banking business, the Hong Kong Monetary Authority refuses to provide some in-depth information which will be much useful to this study. Thus, this has created a great limitation to this research project.

5.3 Data Analysis

5.3.1 Section A: Opinion Towards BIS Standard On CAR

(A) Overall Response

The overall results for the Section A of the designed questionnaire are tabulated in Table 3.

From the Table, to a great extent, it seems that there is no significant differences between respondents in selecting their preference towards those statements regarding their opinion. However, some insights can be drawn.

(1) With respect to the banks' balance sheet, most bankers (55.6%) agree that the BIS requirements on CAR has created a major constraint on their banks' balance sheet and has also slowed down the growth speed of their banks' balance sheet (Section A: Q.1 & Q.2). However, there are 33.3% respondents disagree with the above statements. It seems that in the macro point of view, the BIS requirements on CAR has only a little effect on the banks.

(2) In respect to the lending business of bank, it is expected that the tighter CAR requirement will reduce bank's ability to take on assets and this will cause the bank to make significant changes to its lending policies (Section A: Q.3 & Q.12). Thus in fulfilling the CAR requirement, it is expected that the bank has

the tendency to move away from long-term loans to short-term loans and has changed to products which yield a better risk-adjusted return on capital (Section A: Q.13a & Q.13b).

Table 3

Question	Agree	Disagree
1	55.6%	33.3%
2	55.6%	33.3%
3	44.4%	38.9%
4	61.1%	5.6%
5	61.1%	11.1%
6	16.7%	50.0%
7	5.6%	61.1%
8	50.0%	22.2%
9	33.3%	38.9%
10	61.1%	5.6%
11	11.1%	55.6%
12	44.4%	33.3%
13a	11.1%	61.1%
13b	50.0%	11.1%

Remark: The figures inside each cell are the % of total respondents. The "Agree" responses represents respondents who choose either 1 or 2 and "Disagree" response represents respondents who choose either 4 or 5 on the 5-points scale of Section A of the designed questionnaire.

However, the results are not so conclusive and are shown in table 4 as follows :

<u>Table 4</u>

Question	Agree	Disagree
3	44.40%	38.90%
12	44.30%	33.30%
13a	11.10%	61.10%
13b	50.00%	11.10%

That means the CAR requirement may have only a little effect on the bank's existing lending policies; or the respondents banks have already meet the new CAR requirement, so they need not to change their lending policies.

(3) Since BIS requirements on CAR are only bind on those OECD banks, it is expected that the respondents will all agree to the statement that "CAR has created an unfair competition situation between OECD and non-OECD banks" (Section A: Q.4). The results quite conform to this assumption. There are only 61.1% of respondents show their consents and 5.6% of respondents disagree with the statement, the remaining are stand neutral.

(4) In considering the credit quality of the banks' assets, there are 61.1% respondents agree (11.1% disagree) that the CAR

requirement has only focused on the leverage level of a bank, but it has failed to address the credit quality of the bank's assets (Section A: Q.5). This is not healthy for the bank to perform in this way. If the banks take less care to their banks' quality assets, the banks will be a risky one. There will be a hidden crisis for the depositors. However, 50% respondents disagree (16.7% agree) that CAR requirement will cause banks to focus on short term return on capital and increase the willingness to take on poor credit (Section A: Q.6). And 61.1% respondents disagree (5.6% agree) that the CAR requirement will create long term downgrading of the credit quality of the bank's assets (Section A: Q.7). That means from the bankers' point of view, it will only create a short effect on bank's quality assets.

(5) In viewing the depositors' risk and clients' relationship, 61.1% respondents agree (5.6% disagree) that the CAR requirement is desirable, sufficient and adequate to protect the depositors' risk (Section A: Q.10); and 55.60% respondents disagree that the CAR requirement will endanger bank's relationship with clients (Section A: Q.11). It seem that from the banker's point of view, the new CAR requirement will provide more protection to depositors on one hand, while on the other hand, it will not create much stress to the bank in dealing with their clients. Thus the CAR requirement is still acceptable to the banks.

(6) Since the new CAR requirement (8%) is more tight than before (5%) as mentioned above, it is expected that there will be an

effect on the credit availability in the banking system and the cost of credit (Section A: Q.8, Q.9 & Q.11). However, the results are not so significant or even reverse the situation in some aspects. Only 50% respondents agree (22.2% disagree) that the CAR requirement will reduce credit availability in the banking system. There are 33.3% respondents agree (38.9% disagree) that the CAR requirement will increase the cost of credit and thus create an upward pressure on inflation.

(B) Comparison Between Different Type of Banks' Response

(1).T-test for Foreign banks and Local banks

Before carry out the t-test for the two groups of respondents in response to those attitudes' questions, the overall results of the Foreign banks' and Local banks' responses are tabulated in table 5 (Appendix 9).

As seen from the Table, to a certain extent, the responses from different types of banks are quite similar (despite the magnitude of the percentage for each cell of "Agree" or "Disagree"). However, there are still some points valuable to stress on them which will be discussed in the following sub-section.

Table 5

Bank	Foreign		Local	
Question	Agree	Disagree	Agree	Disagree
1	50.00%	33.30%	66.70%	33.30%
2	58.30%	33.30%	50.00%	33.30%
3	41.70%	33.30%	50.00%	50.00%
4	66.70%	8.30%	50.00%	0.00%
5	66.70%	8.30%	50.00%	16.70%
6	16.70%	41.70%	16.70%	66.70%
7	0.00%	58.30%	16.70%	66.70%
8	50.00%	25.00%	50.00%	16.70%
9	33.30%	41.70%	33.30%	33.30%
10	58.30%	0.00%	66.70%	16.70%
11	16.70%	58.30%	0.00%	50.00%
12	41.70%	33.30%	50.00%	33.30%
13a	8.30%	58.30%	16.70%	66.70%
13b	58.30%	8.30%	33.30%	16.70%

Remarks :The figures inside each cell is the % of the total respondents within that category. Local banks include those Chinese banks and local banks; Foreign banks are those banks that exclude Chinese banks and local banks.

In order to find out whether there are significant difference between the responses from the 2 groups of banks towards those attitudes' questions, a t-test is done. The null hypothesis is that there are no difference in the responses of the two groups, the Foreign banks and Local banks. The alternative hypothesis states that there are difference between the two groups' responses. With the confidence interval of 0.05, none of the results of those responses from the two groups of banks can reject the null hypothesis (even with a large confidence interval of 0.1.) and the result are shown in (Appendix 10).

To conclude for this part, from the statistical point of view, the null hypothesis cannot be rejected. That means, there are no significant difference between their responses and attitudes or the sample size is too small to find out the variability of their responses. The latter factor may be the major cause to the results. However, this is also the limitation of this study.

(2).Insight from frequency Tabulation

Since the responses rate from Japanese banks is the highest, and in recent years, most of the Japanese banks have undergone some policy changes in order to meet the CAR requirement, so it is worthwhile to analyze further to find out whether there are any difference between different kinds of banks. Thus , the data collected is classified into 3 categories, they are Foreign banks, Local banks and Japanese banks. This section tries to see whether there are significant differences between these banks' option towards BIS standard on CAR.

The overall responses of these 3 kinds of banks are quite scatter and almost no majority trend can be traced. The overall results are shown in table 6 as follows (Appendix 11) :

Table 6

Bank	Japanese		Local		Foreign	
Question	Agree	Disagree	Agree	Disagree	Agree	Disagree
1	57.1%	28.6%	66.7%	33.3%	40.0%	40.0%
2	57.1%	42.9%	50.0%	33.3%	60.0%	20.0%
3	28.6%	42.9%	50.0%	50.0%	60.0%	20.0%
4	71.4%	0%	50.0%	0%	60.0%	20.0%
5	42.9%	14.3%	50.0%	16.7%	100.0%	0%
6	14.3%	2.9%	16.7%	66.7%	20.0%	40.0%
7	0%	7.1%	16.7%	66.7%	0%	60.0%
8	57.1%	28.6%	50.0%	16.7%	40.0%	20.0%
9	28.6%	57.1%	33.3%	33.3%	40.0%	20.0%
10	57.1%	0%	66.7%	16.7%	60.0%	0%
11	28.6%	28.6%	0%	50.0%	0%	100%
12	42.9%	42.9%	50.0%	33.3%	40.0%	0%
13a	0%	57.1%	16.7%	66.7%	20.0%	60.0%
13b	57.1%	14.3%	33.3%	16.7%	60.0%	0%

Remark: The figures inside each cell is the % of the total respondents within that category.

As seen from the above Table, however, there are still some responses that are worthwhile to address them as follows:

None from both Japanese and Chinese banks' respondents disagree with the statement that the CAR requirement has created an unfair competition situation between OECD and non-OECD banks, while there are 20% from Foreign banks disagree with that statement. This may attribute to the different attitudes of the Asian banks and the Western banks since most OECD banks are Western banks.

All Foreign banks' respondents (100%) agree that the CAR requirement has only focused on the leverage level of a bank, but it has failed to address the credit quality of the bank's assets, while only 42.9% of Japanese banks' respondents and 50% of Chinese banks' respondents agree with that statement.

None from both Japanese and Foreign banks' respondents agree with the statement that the CAR requirement will create long term downgrading of credit quality of bank's assets, while there are 16.7% from Chinese banks' respondents agree with that statement.

None from both Japanese and Foreign banks' respondents disagree with the statement that the CAR requirement is desirable, sufficient and adequate to protect the depositors' risk, while there are 16.7% from Chinese banks' respondents disagree with that statement.

All Foreign banks' respondents disagree and none from Chinese banks' respondents agree that the CAR requirement could endanger bank's relationship with clients, while the Japanese banks' respondents towards this statement are quite scatter (agree and disagree are both 28.6%).

None from Japanese banks' respondents agree that in fulfilling the CAR requirement, the bank has the tendency to move away from long-term loans to short-term loans. And none from Foreign banks' respondents disagree that in fulfilling the CAR requirement, the bank has changed to products which yield a better risk- adjusted return on capital.

5.3.2 Section B: Bank's Reaction

(A) Overall Respond

(1) There are 72.2% respondents' banks have employed the CAR as guideline for lending for over 3 years; 11.1% have employed for 2 to 3 years; another 11.1% have employed less than 2 years (Section B: Q.1). That means before the new CAR requirement of BIS are enforced in January 1, 1993, most of the banks have already paid much attention to the CAR requirement as the guideline for their lending. A small number of banks or may be just only some individual banks are not employing the CAR as the guideline for their lending until the new CAR requirement came into enforcement.

(2) There are 72.2% and 94.4% of respondents' banks report that their banks have met the 8% CAR requirement on 1991 and from 1992 to 1994 respectively; none of the respondents' banks reported that their bank did not met the CAR requirement from 1992 to 1994 (there is some respondents missing this question). However, 11.1% of respondents indicate that their banks does not met the CAR requirement on 1991 (Section B: Q.2a). That means, except those missing responses, all the respondents' banks meet the new CAR requirement just before its enforcement in Jan 1, 1993.

(3) Majority of the respondents (55.6%) indicate that their banks have the greatest CAR on 1994 (16.7% on 1993, none for 1991 and 1992) and 44.4% of respondents report that their banks have the least CAR on 1991 (22.2% on 1992, none for 1993 and 1994). It seems that the new CAR requirement has posed some pressure on the banks to improve their CAR over the years after its enforcement (Section B: Q.2b).

(4) In order to meet the BIS standard on CAR, usually the banks will either increase their capital (either Tier 1 or 2) or reduce high risk weighted assets. The results show that there are 16.7% respondents take either one of the above action, and 50% respondents take both actions (Section B: Q.3). This can be easily understand that the bank can be more flexible in their policies if both actions are taken. There is a respondents suggests that by maintaining a low dividend payout ratio can also achieve the objective of meeting the CAR requirement.

(5) There are 55.6% of respondents indicate that in order to meet the BIS requirement on CAR, their banks have some changes in their lending policy (44.4% no changes). Among these respondents' banks, they indicate their changes in lending policy in table 7 as follows:

Table 7

Changes	Degree of Importance 1	2	3
increase margin or interest spread	40%	40%	20%
increase fee based services	10%	20%	60%
increase handling charges or fees	20%	60%	10%
decrease high risk weighted assets	20%	40%	20%

Remark: For the degree of importance, 1 stands for important, 2 stands for quite important and 3 stands for very important. The figures inside each cell are the % of total respondents which will change their lending policy.

As seen from the above table, over 80% of those group of respondents will adopt the 4 suggested changes in lending policy to meet the BIS standard on CAR. And 60% of those group of respondents indicate that increase fee based services is the most important strategy and increase handling charges or fees is the second important strategy (Section B: Q.4). That means those respondents' banks are likely to increase fee based services and handling charges rather than either increase interest spread or decrease high risk weighted assets.

(6) Since there are only 2 respondents have indicated the % of each kind of the risk weighted assets at the year end of past 3 years for the On- and Off-Balance sheet items, it is difficult to do the analysis (Section B: Q.5). Thus, this part will be ignored.

(7) Among all the respondents' banks, only 27.8% will use other weighting methods in addition to the CAR, such as loan classification that specified by Hong Kong Monetary Authority (Section B: Q.6). Therefore, the CAR is the major weighting method for the bank to meet the requirement.

(8) There are 83.3% respondents' banks will focus on return on asset (ROA) and 66.7% will focus both on return on capital (ROE) and return on risk adjusted asset when those banks are making pricing decision; while less focus are put on return on risk adjusted capital (38.9%). Moreover, 72.2% and 55.67% respondents' banks will set a minimum requirement to return on assets and return on capital respectively for their lending (Section B: Q.7 & Q.8).

(B) Comparison between differnt types of banks reactions

(1) All the respondents of Foreign banks have employed the CAR as guideline for lending for more than 3 years; while there are each 16.7% of Chinese banks' respondents have employed the CAR for 2 to 3 years and less than 2 years respectively; and there are each 14.3% of Japanese banks' respondents have employed the car for 2 to 3 years and less than 2 years respectively (Section B: Q.1). There are 33.3% of Chinese banks' respondents cannot meet the 8% CAR requirement on 1991 and others respondents' banks can all meet the CAR requirement from 1991 to 1994. There are no significant difference between different types of banks in response to the years that has the greatest CAR and the least CAR (Section B: Q.2a & 2b).

(2) In order to meet the BIS standard on Car, among the Foreign banks' respondents, 40% will take the action to reduce high risk weighted assets; while 66.7% of Chinese banks' respondents and 57.2% of Japanese banks' respondents will take both the action to increase Tier 1 or 2 capital and reduce high risk weighted assets (Section B: Q.3).

(3) There are 83.3% of Chinese Banks' respondents will make changes in their lending policy in order to meet the BIS requirement; while majority respondents (over 50%) of either Foreign or Japanese banks make no changes to their lending policy. There are no significant

differences between different types of banks in response to the 4 suggested changes in their lending policy (Section B: Q. 4).

(4) In addition to the CAR, there are 80% of Foreign banks' respondents and 85.7% of Japanese banks' respondents will use other weighting methods; while there are 50% of Chinese banks' respondents will and will not use other weighting methods respectively (Section B: Q.6).

(5) There are no significant difference between different types of banks in response to the bank's focus when making pricing decision and the adoption of minimum requirement to return on capital or assets for lending (Section B: Q.7 & Q.8).

Chapter VI

Conclusions

From the above analysis, it seems that there are no significant difference between the responses and reaction from Foreign banks and Local banks towards the new CAR requirement. However, the response rate of the mailed questionnaire is only 12%, the sample size is supposed not to be so representative to draw the conclusions about how BIS ruling on CAR has the impact on the banks' lending policy. In spite of it, there are still some comments that can be addressed.

It seems that in facing the BIS ruling on CAR, the foreign banks and the Japanese banks are react similarly. As mentioned above, over 50% of those respondents of these two categories of banks make no changes to their lending policy; while a great majority of local banks will make changes to their lending policy. That may be explained by the fact that local banks operate their business in a limited region, just like in Hong Kong, but not operate globally.

In addition, some local banks have only adopted the CAR as guideline for lending for less than 3 years. That may be due to the fact that in the past local banks may not need to strictly comply to CAR requirement. Therefore, there are some Local banks that can not meet the CAR requirement in 1991, while all the Foreign banks and Japanese banks can meet the CAR standard. This may also attribute to the fact that almost all the Foreign banks and Japanese banks are OECD banks that they are bind by the BIS ruling on CAR.

Hence, in order to compete with those international banks (Foreign and Japanese banks), the local banks in Hong Kong should conform to the CAR requirement and build up a systematic approach to their lending policy.

To conclude, banks in Hong Kong will have to learn to allocate capital more efficiently, and shape their lending policy accordingly. By doing this, they need a common language that enables the estimated risks and rewards of various credit products to be evaluated. The BIS Basle Accord can well be that common language.

Capital has a cost, which will be translated into loan or commitment pricing to reflect the ocst of providing the required capital backing and opportunity cost if any against alternate forms of assets.

Since most banks in Hong Kong are currently well capitalized, they are not paying too much attention and effort in utilizing their capital for their lending business. But as we approach 1997 and as most major infustructure projects are nderway, the demand for Hong

Kong dollar capital will surge. By then, capital will become scare, and the cost of capital will increase (in other words, the cost of doing lending business will raise). Therefore, the BIS new rule can in a way help to promote the concept of capital as a scarce commodity and that it must receive an appropriate return (or risk).

Thus, the key to success - or failure - for Hong Kong banking industry will be the capacity to define , price, and hedge the substantial market and credit risk inherent in matching the sources and uses of capital.

And very soon the ability to allocate capital for lending efficiently will become a necessity for survival in the banking industry in Hong Kong.

Although there are many criticism on the fairness, and the completeness of risk assessment of the BIS Basle Accord, the new ruling is still by far the best standard for banks to follows as a systematic approach to their lending policy.

Appendix 1

Assets risk weighting for Banks in Hong Kong

SECOND SCHEDULE

[ss. 19, 23, 26, 27, 45, 48, 51, 109, 135(2) & 144]

FEES

	$
1. Annual banking licence fee for a bank, other than a restricted licence bank (section 19(1))	474,340
2. Registration fee (section 23(1))	113,020
3. Renewal of registration fee (section 23(2))	113,020
4. Restricted banking licence fee (section 26(1))	384,270
5. Renewal of restricted banking licence fee (section 26(2))	384,270
6. Inspection fee (section 27(3))	10
7. Fee for a copy or extract, per page (section 27(3))	5
8. Fee for the establishment of a local branch of a bank, other than a restricted licence bank (section 45(1))	22,400
9. Annual fee for maintaining a local branch of a bank, other than a restricted licence bank (section 45(1) and (2))	22,400
10. Fee for the establishment of a local branch of a restricted licence bank or deposit-taking company (section 45(1))	19,110
11. Annual fee for maintaining a local branch of a restricted licence bank or deposit-taking company (section 45(1) and (2))	19,110
12. Fee for the establishment of a local representative office of a bank incorporated outside Hong Kong (section 48(1))	22,400
13. Annual fee for maintaining a local representative office of a bank incorporated outside Hong Kong (section 48(1), (2) and (3))	22,400
14. Fee for the establishment of an overseas branch of a bank, other than a restricted licence bank (section 51(1))	44,800
15. Annual fee for maintaining an overseas branch of a bank, other than a restricted licence bank (section 51(1) and (2))	44,800
16. Fee for the establishment of an overseas branch of a restricted licence bank or deposit-taking company (section 51(1))	38,400
17. Annual fee for maintaining an overseas branch of a restricted licence bank or deposit-taking company (section 51(1) and (2))	38,400
18. Fee for the establishment of an overseas representative office of a bank, other than a restricted licence bank (section 51(1))	11,200
19. Annual fee for maintaining an overseas representative office of a bank, other than a restricted licence bank (section 51(1) and (2))	11,200
20. Fee for the establishment of an overseas representative office of a restricted licence bank or deposit-taking company (section 51(1))	19,110
21. Annual fee for maintaining an overseas representative office of a restricted licence bank or deposit-taking company (section 51(1) and (2))	19,110

(Second Schedule replaced 26 of 1988 s. 2. Amended 14 of 1989 s. 2; 3 of 1990 s. 52; 29 of 1990 s. 2; 43 of 1990 s. 15; 41 of 1991 s. 2)

THIRD SCHEDULE

[ss. 98 & 135(3)]

CAPITAL ADEQUACY RATIO

1. In this Schedule—

"bank" means—

(*a*) any authorized institution (other than any restricted licence bank or deposit-taking company the licence or registration of which is for the time being suspended under this Ordinance); and *(Amended 3 of 1990 s. 53)*

(*b*) any bank incorporated outside Hong Kong which is not licensed under this Ordinance, except a bank which is, in the opinion of the Monetary Authority, not adequately supervised by a recognized banking supervisory authority of the place in which it is incorporated;

"book value" in relation to any thing means its current book value after deducting the amount of any specific provision made in the books against a reduction in its value;

"capital base" means the capital base of an authorized institution determined in accordance with paragraph 3;

"Claims on or claims guaranteed by, authorized institutions in Hong Kong" do not include any claim on or guarantee by an authorized institution the licence or registration of which, as the case may be, is for the time being suspended under this Ordinance;

"Core Capital" means the sum, calculated in Hong Kong dollars, of the book values of the capital items listed in paragraph 3(*a*) to (*f*);

"debt securities" means securities other than shares or stocks;

"gold bullion held on an allocated basis" means gold bullion held by a person other than the authorized institution, to the order of the authorized institution, and which is separately ascertainable;

"guarantee" includes indemnity;

"multilateral development bank" means the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the European Investment Bank, the Nordic Investment Bank, the Caribbean Development Bank, the European Bank for Reconstruction and Development or the International Finance Corporation; *(Amended L.N. 407 of 1991)*

"public sector entity in Hong Kong" means the Mass Transit Railway Corporation, the Kowloon-Canton Railway Corporation, the Hong Kong Housing Authority and any body specified by the Monetary Authority in a notice published in the Gazette;

"public sector entity of any other Tier 1 country" means an entity which is regarded as a public sector entity by a recognized banking supervisory authority in the place in which it is incorporated;

"residential mortgage" means a mortgage under which—

(*a*) the borrower is an individual person;

(*b*) the principal sum does not exceed 90% of the purchase price or the market value of the property, whichever amount is the lower;

(*c*) the debt is secured by a first legal charge on the property;

(*d*) the property secured by the charge is used as the borrower's residence or as a residence by a tenant of the borrower;

"risk weighted exposure" means the risk weighted exposure of an authorized institution determined in accordance with paragraph 4;

"Supplementary Capital" means the sum, calculated in Hong Kong dollars, of the book values of the capital items listed in paragraph 3(*g*) to (*o*) calculated in accordance with that paragraph;

"Tier 1 country" means a country which is a member of the Organization for Economic Co-operation and Development or a country which has concluded a special lending arrangement with the International Monetary Fund associated with the Fund's General Arrangements to Borrow, and also includes Hong Kong;

"Tier 2 country" means any country which is not a Tier 1 country.

2. The capital adequacy ratio of an authorized institution shall be calculated as the ratio, expressed as a percentage, of its capital base, determined in accordance with paragraph 3, to its risk weighted exposure determined in accordance with paragraph 4.

3. The capital base of an authorized institution shall be determined by taking the sum, calculated in Hong Kong dollars, of the book values (except in relation to subparagraph (*i*), where the difference between the market value and the book value is to be taken) of—

Category I—Core Capital

(*a*) its paid-up ordinary share capital;

(*b*) its paid-up, irredeemable, non-cumulative preference shares, that is to say, shares that are irredeemable or that may be redeemed only with the prior consent of the Monetary Authority; *(Amended L.N. 82 of 1993)*

(*c*) its share premium account;

(*d*) its reserves other than those referred to in subparagraphs (*e*), (*g*), (*h*) and (*i*);

(*e*) its profit and loss account including its current year's profit or loss;

(*f*) where the Monetary Authority requires under section 79A(1) a provision of Part XV to apply to the authorized institution on a consolidated basis, or requires under section 98(2) the capital adequacy ratio of the authorized institution to be calculated on a consolidated basis, minority interests arising on such consolidation in the equity of its subsidiaries: *(Amended 95 of 1991 s. 52)*

Provided that the amount to be included as Core Capital shall be determined by deducting therefrom the book value calculated in Hong Kong dollars of the goodwill of the institution;

Category II—Supplementary Capital

(*g*) its inner reserves;

(*h*) its reserves on revaluation of its real property, but not exceeding 70% of any surplus on revaluation;

(*i*) its latent reserves (i.e. the difference between the market value and the book value) determined upon revaluation, of long-term holding of equity securities listed on the Unified Exchange or on any exchange referred to in the Schedule to the Securities (Specification of Approved Assets, Liquid Assets and Ranking Liabilities) Notice 1990 (Cap. 333 sub. leg.): *(Amended L.N. 210 of 1990; L.N. 63 of 1991)*

Provided that—

(i) the amount of any increase in value to be included shall be limited to 45% of such increase;

(ii) the amount of any diminution in value is deducted;

(*j*) its general provisions against doubtful debts but not including any provisions against specific or identified losses and against the diminution in the value of particular assets:

Provided that the amount included under this subparagraph may not exceed 1.25% of the figure derived by the calculation specified in subparagraph (*a*) of paragraph 4 carried out in relation to the authorized institution; *(Amended L.N. 210 of 1990)*

(*k*) its perpetual subordinated debt where the Monetary Authority is satisfied that under the terms of the debt instrument the following conditions are met—

(i) the claims of the lender against the authorized institution are fully subordinated to those of all unsubordinated creditors;

(ii) the debt is not secured against any assets of the authorized institution;

(iii) the money advanced to the authorized institution is permanently available to it;

(iv) the debt is not repayable without the prior consent of the Monetary Authority;

(v) the money advanced to the authorized institution is available to meet losses without the institution being obliged to cease trading;

(vi) the authorized institution is entitled to defer the payment of interest where its profitability will not support such payment;

(*l*) its paid-up irredeemable cumulative preference shares, that is to say, shares that are irredeemable or that may be redeemed only with the prior consent of the Monetary Authority;

(*m*) its term subordinated debt, where the Monetary Authority is satisfied that under the terms of the debt instrument the following conditions are met—

(i) the claims of the lender against the authorized institution are fully subordinated to those of all unsubordinated creditors;

(ii) the debt is not secured against any assets of the authorized institution;

(iii) the debt has a minimum initial period to maturity of more than 5 years (and notwithstanding that that period may be reduced with the prior consent of the Monetary Authority); *(Amended L.N. 210 of 1990)*

(iv) the debt is not repayable without the prior consent of the Monetary Authority:

Provided that—

(A) amounts included under this subparagraph shall be discounted by 20% each year during the 4 years immediately preceding maturity; and

(B) the total amount included under this subparagraph and subparagraph (*n*) shall not exceed in total, 50% of the total of the Core Capital;

(*n*) its paid-up term preference shares, where the Monetary Authority is satisfied that the shares have been issued and remain subject to the following conditions—

(i) the shares have a minimum initial period to maturity of more than 5 years;

(ii) the shares are not redeemable without the prior consent of the Monetary Authority:

Provided that—

(A) amounts included under this subparagraph shall be discounted by 20% of the original amount each year during the 4 years immediately preceding maturity; and

(B) the total amount included under this subparagraph and subparagraph (*m*) shall not exceed in total, 50% of the total of the Core Capital; and

(*o*) where the Monetary Authority requires under section 79A(1) a provision of Part XV to apply to the authorized institution on a consolidated basis, or requires under section 98(2) the capital adequacy ratio of the authorized institution to be calculated on a consolidated basis, any minority interests arising on such consolidation in the paid-up irredeemable cumulative preference shares and paid-up term preference shares of its subsidiaries: *(Amended 95 of 1991 s. 52)*

Provided that the amount to be included as Supplementary Capital shall not exceed the total of the amount determined as Core Capital,

and by deducting therefrom the sum calculated in Hong Kong dollars of the book value of—

(A) its shareholding in any company which is a subsidiary or holding company of the authorized institution, other than—

(i) any shareholding that falls to be deducted under subparagraph (B), (C) or (D); and

(ii) where the Monetary Authority requires under section 79A(1) a provision of Part XV to apply to the authorized institution on a consolidated basis, or requires under section 98(2) the capital adequacy ratio of the authorized institution to be calculated on a consolidated basis, its shareholding in any subsidiary the subject of such consolidation; *(Amended 95 of 1991 s. 52)*

(B) its loans to, shares and debentures issued by, and its guarantees of the liabilities of, connected companies of the authorized institution (other than shares that fall to be deducted under subparagraph (D)), where in the opinion of the Monetary Authority the institution has made the loans, is holding the shares or debentures or, as the case may be, has given the guarantees, other than in the ordinary course of business; and for the purposes of this subparagraph "shares" and "debentures" mean shares and debentures within the meaning of section 2(1) of the Companies Ordinance (Cap. 32), and a company shall be treated as a connected company of the institution if it is a subsidiary or the holding company of the institution, or is otherwise of a description falling within section 64(1)(*b*), (*c*), (*d*) or (*e*);

(C) its shareholding in any company in which the authorized institution is entitled to exercise, or control the exercise of, more than 20% of the voting power at general meetings of the company; and

(D) its holding of shares, stocks or debt securities issued by any bank unless the Monetary Authority is satisfied that the holding is not the subject of an arrangement in which 2 or more persons agree to hold each other's capital or is not otherwise a strategic investment.

4. The risk weighted exposure of an authorized institution shall be that figure derived by—

(*a*) adding together all the products achieved by—

(i) taking the book value, calculated in Hong Kong dollars, of each of the items referred to in Table A in relation to the authorized institution; and, in relation to each item multiplying that value by the risk weight specified in Table A in relation to that item; and

(ii) taking the principal amount, calculated in Hong Kong dollars, of each of the items referred to in Table B in relation to the authorized institution; and, in relation to each item converting that principal amount into a credit equivalent amount by multiplying the principal amount by the credit conversion factor specified in Table B in relation to that item, and then multiplying those credit equivalent amounts by the appropriate risk weight specified in Table A as if the items to which they relate were on-balance sheet (Table A) items; and

(*b*) subtracting from the sum calculated under subparagraph (*a*) the value of general provisions not included in the capital base of the authorized institution. *(Replaced L.N. 210 of 1990)*

TABLE A—ON-BALANCE SHEET ITEMS

Category I—Cash items

Item	Nature of item	Risk weight
1.	Notes and coins.	0%
2.	Hong Kong Government certificates of indebtedness.	0%
3.	Gold bullion in the possession of an authorized institution or held on an allocated basis, to the extent backed by gold liabilities.	0%
4.	Gold held which is not backed by gold liabilities.	100%
5.	Claims to the extent that they are collateralized by cash deposits held by the authorized institution.	0%
6.	Cash items in the course of collection.	20%
6A.	Amounts due from the sale of securities, where the authorized institution has executed the transaction on behalf of a customer or for its own account, up to and including the fifth working day after the due settlement date in respect of the transaction. *(Added L.N. 146 of 1993)*	0%
6B.	Amounts due from the purchase of securities, where the authorized institution has executed the transaction on behalf of a customer, up to and including the fifth working day after the due settlement date in respect of the transaction. *(Added L.N. 146 of 1993)*	0%

Category II—Claims on central governments and central banks

Item	Nature of item	Risk weight
7.	Loans to, or loans to the extent that they are guaranteed by, the Exchange Fund.	0%
8.	Loans to, or loans to the extent that they are guaranteed by, the central government or the central bank of any Tier 1 country	0%
9.	Holdings of fixed interest securities with a residual maturity of under 1 year or floating rate securities of any maturity issued by or guaranteed by the central government or by the central bank of a Tier 1 country, or by the Exchange Fund, or claims to the extent that they are collateralized by such securities.	10%
10.	Holdings of fixed interest securities with a residual maturity of 1 year and over issued by or guaranteed by the central government or by the central bank of a Tier 1 country, or by the Exchange Fund, or claims to the extent that they are collateralized by such securities.	20%

Item	Nature of item	Risk weight
11.	Loans denominated in the currency of a Tier 2 country and funded in that currency, to, or to the extent that they are guaranteed by, the central government or the central bank of that country.	0%
12.	Holdings of fixed interest securities with a residual maturity of under 1 year or floating rate securities of any maturity issued by or guaranteed by the central government or by the central bank of a Tier 2 country, where denominated and funded in the currency of that country.	10%
13.	Holdings of fixed interest securities with a residual maturity of 1 year and over issued by or guaranteed by the central government or by the central bank of a Tier 2 country, where denominated and funded in the currency of that country.	20%
14.	Other claims on the central government or on the central bank of a Tier 2 country.	100%

Category III—Claims on Public Sector Entities

Item	Nature of item	Risk weight
15.	Claims on or to the extent that they are guaranteed by, public sector entities in Hong Kong.	20%
16.	Claims on or to the extent that they are guaranteed by, public sector entities of any other Tier 1 country.	20%
17.	Claims on public sector entities of a Tier 2 country.	100%

Category IV—Claims on banks

Item	Nature of item	Risk weight
18.	Claims on or to the extent that they are guaranteed by, authorized institutions or banks incorporated in Tier 1 countries.	20%
19.	Claims on or to the extent that they are guaranteed or collateralized by securities issued by, a multilateral development bank.	20%
20.	Claims on or to the extent that they are guaranteed by, any bank other than a bank referred to in item 18 or 19, with a residual maturity of under 1 year.	20%
21.	Claims on or to the extent that they are guaranteed by, any bank other than a bank referred to in item 18 or 19, with a residual maturity of 1 year or more.	100%

Category V—Residential Mortgages

Item	Nature of item	Risk weight
22.	Loans fully secured by a residential mortgage.	50%
23.	Securities backed by residential mortgages and participations in residential mortgages.	50%

Category VI—Other assets

Item	Nature of item	Risk weight
24.	Claims on non-bank private sector persons.	100%

Category VI—Other assets

Item	Nature of item	Risk weight
25.	Investments in the equity or other capital instruments of other banks, other than where deducted from the capital base.	100%
26.	Premises, plant and equipment and other fixed assets for the authorized institution's own use.	100%
27.	Other interests in real property.	100%
28.	All assets not elsewhere specified.	100%

TABLE B—OFF-BALANCE SHEET ITEMS

Item	Nature of item	Credit conversion factor
1.	Direct credit substitutes Irrevocable off-balance sheet obligations which carry the same credit risk as a direct extension of credit. This includes guarantees, the confirming of letters of credit, standby letters of credit serving as financial guarantees for loans, securities and acceptances (including endorsements with the character of acceptances) other than acceptances included in item 3.	100%
2.	Transaction-related contingencies Contingent liabilities which involve an irrevocable obligation of the authorized institution to pay a beneficiary when a customer fails to perform some contractual, non-financial obligation. This includes performance bonds, bid bonds, warranties and standby letters of credit related to a particular transaction.	50%
3.	Trade-related contingencies Contingent liabilities which relate to trade related obligations. This includes letters of credit, acceptances on trade bills, shipping guarantees and any other trade related contingencies.	20%
4.	Sale and repurchase agreements (see Note 1) Arrangements whereby the authorized institution sells a loan, security or other asset to another person with a commitment to repurchase the asset at an agreed price on an agreed future date.	100%
5.	Assets sales or other transactions with recourse (see Note 1) Assets sales where the holder of the asset is entitled to put the asset back to the authorized institution within an agreed period or should the value or credit quality of the asset deteriorate.	100%
6.	Forward asset purchases (see Note 1) Commitment to purchase a loan, security or other asset, including under a put option granted by the authorized institution to another party, at specified future date on pre-arranged terms.	100%
7.	Partly paid-up shares and securities (held by the authorized institution) The unpaid portion of shares or securities which the issuer of such shares or securities may call for at a future date.	100%

Item	Nature of item	Credit conversion factor
8.	Forward forward deposits placed *(Amended L.N. 210 of 1990)* Any agreement between the authorized institution and another party whereby the institution will place a deposit at an agreed rate of interest with that party at some predetermined future date.	100%
9.	Note issuance and revolving underwriting facilities Arrangements whereby a borrower may draw down funds up to a prescribed limit over a predefined period by making repeated note issues to the market, and where, should the issue prove unable to be placed in the market, the unplaced amount is to be taken up or funds made available by the underwriter of the facility.	50%
10.	Other commitments with an original maturity of under 1 year or which may be cancelled at any time unconditionally by the authorized institution.	0%
11.	Other commitments with an original maturity of 1 year or over.	50%
12.	Exchange rate contracts (see Note 2) (Calculated in accordance with either the original exposure method or the current exposure method)	
	(*a*) credit conversion factors to be used in calculating in accordance with original exposure method— contracts with an original maturity of—	
	(i) under 1 year;	2%
	(ii) 1 year and less than 2 years;	5%
	(iii) 2 years or more, the factor for 1 year and less than 2 years plus for each additional year;	3%
	(*b*) credit conversion factors to be used to determine the potential future credit exposure in accordance with the current exposure method— contracts with a residual maturity of—	
	(i) under 1 year;	1%
	(ii) 1 year and over.	5%
13.	Interest rate contracts (see Note 2) (Calculated in accordance with either the original exposure method or the current exposure method)	
	(*a*) credit conversion factors to be used in calculating in accordance with the original exposure method— contracts with an original maturity of—	
	(i) under 1 year;	0.5%
	(ii) 1 year and under 2 years;	1%
	(iii) 2 years or more, the factor for 1 year and under 2 years plus for each additional year;	1%
	(*b*) credit conversion factors to be used to determine the potential future credit exposure in accordance with the current exposure method— contracts with a residual maturity of—	
	(i) under 1 year;	0%
	(ii) 1 year and over.	0.5%

Note

1. The appropriate risk weight to be used in relation to transactions to which items 4, 5 and 6 apply, shall be determined on the basis of the nature of the asset and not the nature of the counterparty with whom the transaction has been entered into. Reverse repos (i.e. purchase and resale agreements where the authorized institution is the recipient of the asset) are to be regarded as collateralized loans.

2. In relation to exchange rate contracts and interest rate contracts an authorized institution shall, in determining the credit equivalent amount use either the current exposure method of valuation or, with the agreement of the Monetary Authority, the original exposure method of valuation.

(Third Schedule replaced L.N. 412 of 1989. Amended 82 of 1992 s. 25)

FOURTH SCHEDULE [ss. 102 & 135(3)]

LIQUIDITY RATIO

1. In this Schedule—

"relevant bank" means—

(a) any authorized institution (other than a deposit-taking company or restricted licence bank the registration or restricted banking licence of which is for the time being suspended under this Ordinance); and *(Replaced L.N. 413 of 1987. Amended 3 of 1990 s. 54)*

(b) any bank incorporated outside Hong Kong which is not licensed under this Ordinance, except a bank which is, in the opinion of the Monetary Authority, not adequately supervised by an appropriate, recognized banking supervisory authority in the place in which it is incorporated, *(Amended 82 of 1992 s. 25)*

and includes the Exchange Fund established by the Exchange Fund Ordinance (Cap. 66); *(Amended 64 of 1987 s. 30)*

"one-month liability" in relation to any authorized institution or relevant bank means—

(a) any liability, other than a contingent liability, the effect of which will or could be to reduce within 1 month the liquefiable assets of that institution or relevant bank; and

(b) any contingent liability that in the opinion of the Monetary Authority may result in a reduction within 1 month of the liquefiable assets of that institution or relevant bank. *(Amended 82 of 1992 s. 25)*

2. The liquidity ratio of an authorized institution shall be calculated as the ratio, expressed as a percentage, between its liquefiable assets, as specified in paragraph 3 and its qualifying liabilities, as specified in paragraph 4.

3. The liquefiable assets of an authorized institution shall be the sum, calculated in Hong Kong dollars, of such of the following amounts which are free from encumbrances and freely remittable and payable— *(Amended L.N. 413 of 1987)*

(a) the amount, if any, by which its total one-month liabilities to relevant banks are exceeded by the total one-month liabilities of relevant banks to it;

(b) currency notes and coins held by the institution in Hong Kong dollars or in any currency freely convertible into Hong Kong dollars;

(c) repayments to the institution in respect of loans that the institution is not committed to continue, whether by renewal or otherwise, being repayments— *(Amended L.N. 413 of 1987)*

(i) which will fall due within 1 month;
(ii) in respect of which the institution has no reason to expect any default; and
(iii) which are not otherwise taken into account in calculating the liquefiable assets of the institution;

(d) the amounts that the institution can realize within 1 month (after deduction of the costs of such realization) for such of its following assets as are available to meet any or all of its qualifying liabilities—

(i) export bills maturing within 6 months, or payable after sight, and discountable in Hong Kong dollars or in a currency freely convertible into Hong Kong dollars;

(ii) securities that were issued, or are the subject of any guarantee or indemnity given, by the Government or by any government approved by the Monetary Authority for the purposes of this sub-paragraph; *(Amended 82 of 1992 s. 25)*

(iii) other bills, certificates, notes, paper or debt securities which—

(A) are negotiable;
(B) have a remaining term to maturity of not more than 10 years; and
(C) are denominated and traded in Hong Kong dollars or in a currency freely convertible into Hong Kong dollars,

except for any that are issued by a person or government specified for the purposes of this sub-paragraph by the Monetary Authority by notice in writing served upon the authorized institution; *(Amended 82 of 1992 s. 25)*

(iv) gold.

4. The qualifying liabilities of an authorized institution shall be the sum, calculated in Hong Kong dollars, of—

(a) the amount, if any, by which the total one-month liabilities of relevant banks to the authorized institution are exceeded by its total one-month liabilities to relevant banks; and *(Amended L.N. 413 of 1987)*

(b) the total of its other one-month liabilities.

FIFTH SCHEDULE [ss. 92(5)(c) & (7) & 135(3)]

REQUIREMENTS APPLICABLE TO PRESCRIBED ADVERTISEMENTS

1. **Interpretation**

(1) In this Schedule—

"deposit-taker", in relation to a prescribed advertisement, means the person with whom the deposits which are invited by the advertisement are to be made;

"full name", in relation to a person, means the name under which that person carries on business and, if different and if that person is a body corporate, its corporate name;

"liabilities" includes provisions where such provisions have not been deducted from the value of assets.

(2) A reference in this Schedule to the payment of interest in respect of a deposit includes a reference to the payment of any premium in respect of the deposit, and to the crediting of interest to the deposit so as to constitute an accretion to the principal.

(3) For the purposes of this Schedule, a prescribed advertisement which contains information which is intended or might reasonably be presumed to be intended to lead directly or indirectly to the making of a deposit shall be treated as if it contained an invitation to make a deposit, and references to an invitation to make a deposit shall be construed accordingly.

2. **Warning**

Every prescribed advertisement shall contain a prominent warning to the effect that the deposit-taker is not an authorized institution within the meaning of this Ordinance and is therefore not subject to the supervision of the Monetary Authority.

(Amended 82 of 1992 s. 25)

3. **General requirements for prescribed advertisements**

Every prescribed advertisement shall state—

(a) the full name of the deposit-taker;

(b) the country or territory in which the deposit-taker's principal place of business is situated, described as such; and

Appendix 2

Authorized Institutions : Domicile and Parentage

APPENDIX 2

AUTHORISED INSTITUTIONS: DOMICILE AND PARENTAGE

	1993	1992
LICENSED BANKS		
(1) Incorporated in Hong Kong	32	30
(2) Incorporated outside Hong Kong	140	134
	172	164
RESTRICTED LICENSED BANKS		
(1) Subsidiaries of licensed banks incorporated:		
(a) in Hong Kong	2	3
(b) outside Hong Kong	16	13
(2) Subsidiaries or branches of foreign banks which are not licensed in Hong Kong	29	27
(3) Bank related	7	10
(4) Others	3	3
	57	56
DEPOSIT TAKING COMPANIES		
(1) Subsidiaries of licensed banks incorporated:		
(a) in Hong Kong	25	24
(b) outside Hong Kong	57	55
(2) Subsidiaries of foreign banks which are not licensed in Hong Kong	34	37
(3) Bank related	11	12
(4) Others	15	19
	142	147
ALL AUTHORISED INSTITUTIONS	371	367
LOCAL REPRESENTATIVE OFFICES	142	148

SOURCE: HONG KONG MONETARY AUTHORITY – ANNUAL REPORT 1993

Appendix 3

Total Loans by Category of Authorized Institution

APPENDIX 3

TOTAL LOANS BY CATEGORY OF AUTHORISED INSTITUTION

HK$BN	TOTAL LOANS & ADVANCES HK$	F/Cy	Total	%
1993				
Licensed bank	859	1,854	2,714	95
Restricted licence banks	57	23	79	3
Deposit-taking companies	42	22	64	2
Total	957	1,900	2,857	100
1992				
Licensed banks	720	1,612	2,331	94
Restricted licence banks	52	22	74	3
Deposit-taking companies	40	24	64	3
Total	812	1,657	2,470	100

SOURCE: HONG KONG MONETARY AUTHORITY – ANNUAL REPORT 1993

Appendix 4

Total Loans for use in Hong Kong by Economic Sector

APPENDIX 4

TOTAL LOANS FOR USE IN HONG KONG BY ECONOMIC SECTOR

HK$BN	1993		1992	
SECTOR	HK$	%	HK$	%
Hong Kong's visible trade	103	9	89	9
Manufacturing	74	6	64	6
Transport & transport equipment	62	5	58	6
Building, construction & property development and investment	182	15	145	14
Wholesale and retail trade	99	8	88	9
Financial concerns (other than authorised institutions)	156	13	123	12
Individuals:				
to purchase flats in the Home Ownership Scheme and Private Sector Participation Scheme	35	3	22	2
to purchase other residential property	233	20	203	20
other purposes	103	9	88	9
Others	131	11	120	12
Total	1,178	100	999	100

SOURCE: HONG KONG MONETARY AUTHORITY – ANNUAL REPORT 1993

Appendix 5

Flow of Funds : All Authorized Institution

APPENDIX 5

FLOW OF FUNDS: ALL AUTHORISED INSTITUTIONS

HK$bn Increase (Decrease) in:	HK$	1992 F/Cy	Total	HK$	1993 F/Cy	Total
CUSTOMER LENDING	88	138	266	145	242	387
inside Hong Kong *(a)*	87	12	100	140	40	179
outside Hong Kong	1	127	127	4	201	206
others	0	(1)	(1)	1	1	2
INTERBANK LENDING	13	(156)	(143)	59	(171)	(112)
inside Hong Kong	(7)	(11)	(17)	28	(27)	1
outside Hong Kong	20	(145)	(126)	31	(144)	(113)
ALL OTHER ASSETS	20	8	27	48	9	57
TOTAL ASSETS	121	(11)	110	252	80	332
CUSTOMER DEPOSITS *(b)*	80	49	129	174	45	219
INTERBANK BORROWING	(8)	(28)	(36)	31	23	54
inside Hong Kong	(9)	(11)	(20)	29	(30)	(1)
outside Hong Kong	2	(17)	(16)	3	53	56
ALL OTHER LIABILITIES	33	(15)	17	64	(6)	58
TOTAL LIABILITIES	105	5	10	269	62	332
NET INTERBANK BORROWING	*(21)*	*128*	*107*	*(27)*	*194*	*166*
NET CUSTOMER LENDING	*8*	*89*	*97*	*(29)*	*197*	*168*

(a) *Includes trade financing loans but excludes loans to finance trade not touching Hong Kong.*
(b) *Adjusted for swap deposits.*

Appendix 6

Sample Questionnaire

APPENDIX 6

SECTION A--OPINION TOWARDS BIS STANDARD ON CAR

Please circle the number on the 5-points scale ranging from strongly agree (1) to strongly disagree (5) which best represents your opinion about the effect of the Bank of International Settlement (BIS) standard on the capital adequacy ratio (CAR) for the following statements.

	Strongly agree				Strongly disagree
1.It has created a major constraint on you bank's balance sheet.	1	2	3	4	5
2. It has slowed down the growth speed of your bank's balance sheet.	1	2	3	4	5
3. It has reduced your bank's ability to take on assets.	1	2	3	4	5
4. It has created an unfair competition situation between OECD and non-OECD banks.	1	2	3	4	5
5. It has only focused on the leverage level of a bank, but it has failed to address the credit quality of the bank's assets.	1	2	3	4	5
6. It will cause banks to focus on short term return on capital and increase the willingness to take on poor credit.	1	2	3	4	5
7. It will create long term downgrading of credit quality of bank's assets.	1	2	3	4	5
8. It will reduce credit availability in the banking system.	1	2	3	4	5
9. It will increase the cost of credit and thus create an upward pressure on inflation.	1	2	3	4	5
10. It is desirable, sufficient and adequate to protect the depositors' risk.	1	2	3	4	5
11. It could endanger bank's relationship with clients.	1	2	3	4	5
12. It has caused the bank to make significant changes to lending policies.	1	2	3	4	5

	strongly agree				strongly disagree
13. In fulfilling the CAR requirement:					
a. Your bank has the tendency to move away from long-term loans (e.g. mortgage loan) to short-term loans (e.g. trade finance).	1	2	3	4	5
b. Your bank has changed to products which yield a better risk-adjusted return on capital.	1	2	3	4	5

SECTION B--BANK'S REACTION

1. How long has your bank employed the CAR as guideline for lending?

____< 2 years, ____ 2 to 3 years, ____> 3 years

2a. According to BIS agreement, does your bank meet the Capital Adequacy Ratio requirement (8%) on the following years?

	1991	1992	1993	1994
Yes	____	____	____	____
No	____	____	____	____

2b. What are the years that has the greatest CAR and the least CAR?

	1991	1992	1993	1994
Greatest	____	____	____	____
Least	____	____	____	____

3. In order to meet the BIS standard on CAR, what kind of action does your Bank take?

___ increase capital (either Tier 1 or 2)
___ reduce high risk weighted asset
___ all of the above
___ others (please specify:______________________)

4. Are there any changes in your lending policy in order to meet the BIS requirement?

___ yes ___ no

If yes, what are the changes? You can tick more than one choice on the left and circle the number (1=important, 2=quite important, 3=very important) to show the degree of importance of that choice you choose on the next page.

(Please tick)		Important		Very Important
___ increase margin or interest spread	1	2		3
___ increase fee based services	1	2		3
___ increase handling charges or fees	1	2		3
___ decrease high risk weighted assets	1	2		3

5. Please indicate the % of each kind of the risk weighted assets of your bank at the year end of past 3 years for the On- and Off-Balance sheet items in the following table:

Risk Weight	On-Balance Sheet 91	92	93	Off-Balance Sheet 91	92	93
0%	___	___	___	___	___	___
10	___	___	___	___	___	___
20	___	___	___	___	___	___
50	___	___	___	___	___	___
100	___	___	___	___	___	___

6. In addition to the CAR, does your bank use any other weighting methods?

No ___

Yes___(Please describe or leave blank________________________)

____)

7. When making pricing decision on credit business, will your bank focus on:--

	Yes	No
Return on asset(ROA)	____	____
Return on capital(ROC)	____	____
Return on risk adjusted asset	____	____
Return on risk adjusted capital	____	____

8. In response to the BIS standard on CAR, has your bank set a minimum requirement to return on assets or capital for lending?

	Yes	No
Return on asset	____	____
Return on capital	____	____

SECTION C--GENERAL INFORMATION

1. Capital base or ownership of your bank

   America ____ British ____ Canada ____ China ____

   Europe ____ Japan ____ Local (H.K.) ____ Other ____

2. Your position in the bank

   President/Chairman/Genereal Manager ____

   Vice President/Vice Chairman/Deputy General Manager ____

   Accountant/Manager/Treasurer ____

   Others (Please specify) ____

3. How long have you been working with your present bank in your current position?

   Below 5 years ____
   5 to 10 years ____
   More than 10 years ____

4. Present capital size of your bank

   Below HK$ 100 million (m) ____
   HK$100m to HK$500M ____
   HK$501M to HK$1000m ____
   More than HK$1000m ____

5. Present total assets size of your bank

   Below HK$10 billion(b) ____
   HK$10b to HK$50b ____
   HK$51b to HK$100b ____
   More than HK$100b ____

We would like to interview some of you who have kindly answered this questionnaire. If you are willing to be interviewed, could you please complete the following:

Name:______________________

Address:______________________

____

Telephone no.:

____

Appendix 7

Code Table of the Questionnaire

APPENDIX 7

CODE TABLE

Section A:

Question	Variable	Coded Value
1-12	OP1-OP12	1-5
13a	OP13	1-5
13b	OP14	1-5

Section B:

Question	Variable	Coded Value
1	P1	1 = < 2 years 2 = 2 to 3 years 3 = > 3 years
2a	P2-P5	1 = Yes, 0 = No
2b	P6-P7	1 = 1991 2 = 1992 3 = 1993 4 = 1994
3	P8	1-4
4	P9	1 = Yes, 0 = No
	P10-P13	1-3
5	P14	1 = data provided
6	P15	1 = Yes, 0 = No
7	P16-P19	1 = Yes, 0 = No
8	P20-P21	1 = Yes, 0 = No

Section C:

Question	Variable	Coded Value
1	Origin	1 = America 2 = Britain 3 = Canada 4 = China 5 = Europe 6 = Japan 7 = Local (H.K.) 8 = Other
2	Post	1-4
3	Year	1-3
4	Capital	1-4
5	Asset	1-4
6	View	1 = data provided

** Missing values are coded as 9.

Appendix 8

SPSS output

```
data list free/op1 op2 op3 op4 op5 op6 op7 op8 op9 op10 op11 op12 op13 op14
              origin post year capital asset view.
begin data
end data.
    18 cases are written to the compressed active file.

This procedure was completed at 23:12:59
list.

The VARIABLES are listed in the following order:

Line    1: OP1 OP2 OP3 OP4 OP5 OP6 OP7

Line    2: OP8 OP9 OP10 OP11 OP12 OP13 OP14

Line    3: ORIGIN POST YEAR CAPITAL ASSET VIEW
------------------------------------------------------------------------------
Page    2                  SPSS/PC+ Studentware+                       5/2/80

    OP1:     2.00     2.00     2.00     1.00     2.00     3.00     4.00
    OP8:     2.00     3.00     2.00     4.00     2.00     4.00     2.00
 ORIGIN:     2.00     2.00     3.00     4.00     4.00      .00

    OP1:     4.00     5.00     5.00     1.00     2.00     2.00     2.00
    OP8:     3.00     3.00     1.00     4.00     2.00     4.00     4.00
 ORIGIN:     4.00     2.00     2.00     4.00     3.00      .00

    OP1:     1.00     2.00     1.00     2.00     2.00     4.00     4.00
    OP8:     4.00     2.00     3.00     4.00     3.00     4.00     2.00
 ORIGIN:     5.00     3.00     2.00     4.00     4.00      .00

    OP1:     5.00     5.00     5.00     5.00     1.00     4.00     3.00
    OP8:     3.00     3.00     2.00     5.00     5.00     4.00     3.00
 ORIGIN:     8.00     1.00     2.00     4.00     3.00      .00

    OP1:     2.00     2.00     2.00     3.00     5.00     5.00     5.00
    OP8:     2.00     3.00     2.00     4.00     3.00     2.00     2.00
 ORIGIN:     4.00     2.00     3.00     4.00     3.00      .00

    OP1:     4.00     2.00     2.00     3.00     2.00     2.00     3.00
    OP8:     2.00     2.00     2.00     5.00     2.00     2.00     2.00
 ORIGIN:     1.00     2.00     1.00     4.00     4.00      .00
------------------------------------------------------------------------------
Page    3                  SPSS/PC+ Studentware+                       5/2/80

    OP1:     5.00     5.00     5.00     1.00     5.00     5.00     3.00
    OP8:     3.00     4.00     3.00     3.00     4.00     5.00     4.00
 ORIGIN:     6.00     1.00     1.00     2.00     2.00      .00

    OP1:     3.00     3.00     3.00     2.00     2.00     3.00     4.00
    OP8:     3.00     4.00     3.00     4.00     3.00     3.00     3.00
 ORIGIN:     3.00     2.00     2.00     4.00     4.00      .00

    OP1:     1.00     1.00     1.00     3.00     3.00     3.00     5.00
    OP8:     1.00     2.00     1.00     5.00     4.00     3.00     3.00
 ORIGIN:     6.00     3.00     2.00     2.00     1.00      .00

    OP1:     2.00     2.00     3.00     1.00     2.00     3.00     4.00
    OP8:     2.00     4.00     3.00     2.00     2.00     3.00     2.00
 ORIGIN:     6.00     2.00     2.00     4.00     4.00      .00

    OP1:     4.00     4.00     4.00     3.00     3.00     4.00     4.00
    OP8:     4.00     4.00     2.00     3.00     4.00     4.00     3.00
 ORIGIN:     7.00     2.00     2.00     4.00     3.00      .00
```

OP1:	3.00	1.00	2.00	1.00	1.00	2.00	3.00
OP8:	2.00	2.00	2.00	2.00	1.00	4.00	2.00
ORIGIN:	6.00	2.00	3.00	4.00	4.00	1.00	

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OP1:	2.00	2.00	3.00	2.00	3.00	3.00	3.00
OP8:	2.00	4.00	3.00	3.00	4.00	3.00	2.00
ORIGIN:	6.00	3.00	2.00	3.00	4.00	1.00	
OP1:	4.00	4.00	4.00	2.00	3.00	4.00	4.00
OP8:	4.00	3.00	2.00	4.00	3.00	4.00	3.00
ORIGIN:	6.00	2.00	1.00	3.00	4.00	1.00	
OP1:	2.00	4.00	5.00	3.00	1.00	4.00	4.00
OP8:	4.00	5.00	2.00	3.00	2.00	5.00	2.00
ORIGIN:	6.00	2.00	1.00	4.00	4.00	1.00	
OP1:	2.00	2.00	2.00	2.00	3.00	3.00	4.00
OP8:	3.00	2.00	2.00	3.00	2.00	3.00	3.00
ORIGIN:	4.00	3.00	3.00	4.00	3.00	.00	
OP1:	2.00	3.00	4.00	2.00	2.00	4.00	3.00
OP8:	2.00	1.00	3.00	3.00	2.00	4.00	3.00
ORIGIN:	7.00	3.00	3.00	4.00	4.00	.00	
OP1:	2.00	2.00	2.00	3.00	1.00	4.00	4.00
OP8:	2.00	4.00	4.00	5.00	4.00	4.00	2.00
ORIGIN:	4.00	2.00	3.00	4.00	3.00	1.00	

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Number of cases read = 18 Number of cases listed = 18

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This procedure was completed at 23:13:09
recode origin (1 2 3 5 8 = 1) (4 7 = 2) (6 = 3).
value labels origin 1 'Foreign Banks' 2 'Local Banks' 3 'Japanese Banks'.
frequencies all.
The raw data or transformation pass is proceeding
18 cases are written to the compressed active file.

***** Memory allows a total of 12576 Values, accumulated across all Variables
There also may be up to 1572 Value Labels for each Variable.

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OP1

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1.00	2	11.1	11.1	11.1
	2.00	8	44.4	44.4	55.6
	3.00	2	11.1	11.1	66.7
	4.00	4	22.2	22.2	88.9
	5.00	2	11.1	11.1	100.0
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

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OP2

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1.00	2	11.1	11.1	11.1
	2.00	8	44.4	44.4	55.6
	3.00	2	11.1	11.1	66.7
	4.00	3	16.7	16.7	83.3
	5.00	3	16.7	16.7	100.0
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

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OP3

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1.00	2	11.1	11.1	11.1
	2.00	6	33.3	33.3	44.4
	3.00	3	16.7	16.7	61.1
	4.00	3	16.7	16.7	77.8
	5.00	4	22.2	22.2	100.0
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

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OP4

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1.00	5	27.8	27.8	27.8
	2.00	6	33.3	33.3	61.1
	3.00	6	33.3	33.3	94.4
	5.00	1	5.6	5.6	100.0
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

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OP5

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1.00	4	22.2	22.2	22.2
	2.00	7	38.9	38.9	61.1
	3.00	5	27.8	27.8	88.9
	5.00	2	11.1	11.1	100.0

	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

OP6

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	2.00	3	16.7	16.7	16.7
	3.00	6	33.3	33.3	50.0
	4.00	7	38.9	38.9	88.9
	5.00	2	11.1	11.1	100.0
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

OP7

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	2.00	1	5.6	5.6	5.6
	3.00	6	33.3	33.3	38.9
	4.00	9	50.0	50.0	88.9
	5.00	2	11.1	11.1	100.0
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

OP8

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1.00	1	5.6	5.6	5.6
	2.00	8	44.4	44.4	50.0
	3.00	5	27.8	27.8	77.8
	4.00	4	22.2	22.2	100.0
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

OP9

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1.00	1	5.6	5.6	5.6
	2.00	5	27.8	27.8	33.3

	Value	Frequency	Percent	Valid Percent	Cum Percent
	3.00	5	27.8	27.8	61.1
	4.00	6	33.3	33.3	94.4
	5.00	1	5.6	5.6	100.0
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

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OP10

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1.00	2	11.1	11.1	11.1
	2.00	9	50.0	50.0	61.1
	3.00	6	33.3	33.3	94.4
	4.00	1	5.6	5.6	100.0
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

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OP11

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	2.00	2	11.1	11.1	11.1
	3.00	6	33.3	33.3	44.4
	4.00	6	33.3	33.3	77.8
	5.00	4	22.2	22.2	100.0
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

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OP12

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1.00	1	5.6	5.6	5.6
	2.00	7	38.9	38.9	44.4
	3.00	4	22.2	22.2	66.7
	4.00	5	27.8	27.8	94.4
	5.00	1	5.6	5.6	100.0
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

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OP13

Valid Cum

Value Label	Value	Frequency	Percent	Percent	Percent
	2.00	2	11.1	11.1	11.1
	3.00	5	27.8	27.8	38.9
	4.00	9	50.0	50.0	88.9
	5.00	2	11.1	11.1	100.0
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

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OP14

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	2.00	9	50.0	50.0	50.0
	3.00	7	38.9	38.9	88.9
	4.00	2	11.1	11.1	100.0
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

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ORIGIN

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Foreign Banks	1.00	5	27.8	27.8	27.8
Local Banks	2.00	6	33.3	33.3	61.1
Japanese Banks	3.00	7	38.9	38.9	100.0
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

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POST

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1.00	2	11.1	11.1	11.1
	2.00	11	61.1	61.1	72.2
	3.00	5	27.8	27.8	100.0
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

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YEAR

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1.00	4	22.2	22.2	22.2
	2.00	8	44.4	44.4	66.7
	3.00	6	33.3	33.3	100.0
		-------	-------	-------	
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

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CAPITAL

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	2.00	2	11.1	11.1	11.1
	3.00	2	11.1	11.1	22.2
	4.00	14	77.8	77.8	100.0
		-------	-------	-------	
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

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ASSET

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1.00	1	5.6	5.6	5.6
	2.00	1	5.6	5.6	11.1
	3.00	6	33.3	33.3	44.4
	4.00	10	55.6	55.6	100.0
		-------	-------	-------	
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

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VIEW

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	.00	13	72.2	72.2	72.2
	1.00	5	27.8	27.8	100.0
		-------	-------	-------	
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

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This procedure was completed at 23:13:15

```
recode op1 op2 op3 op4 op5 op6 op7 op8 op9 op10 op11 op12 op13 op14
     (1 2 = 1) (3 = 2) (4 5 = 3).
frequencies op1 op2 op3 op4 op5 op6 op7 op8 op9 op10 op11 op12 op13 op14.
```

The raw data or transformation pass is proceeding
   18 cases are written to the compressed active file.

***** Memory allows a total of 12576 Values, accumulated across all Variables.
There also may be up to 1572 Value Labels for each Variable.

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OP1

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1.00	10	55.6	55.6	55.6
	2.00	2	11.1	11.1	66.7
	3.00	6	33.3	33.3	100.0
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

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OP2

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1.00	10	55.6	55.6	55.6
	2.00	2	11.1	11.1	66.7
	3.00	6	33.3	33.3	100.0
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

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OP3

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1.00	8	44.4	44.4	44.4
	2.00	3	16.7	16.7	61.1
	3.00	7	38.9	38.9	100.0
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

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OP4

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1.00	11	61.1	61.1	61.1
	2.00	6	33.3	33.3	94.4
	3.00	1	5.6	5.6	100.0
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

OP5

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1.00	11	61.1	61.1	61.1
	2.00	5	27.8	27.8	88.9
	3.00	2	11.1	11.1	100.0
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

OP6

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1.00	3	16.7	16.7	16.7
	2.00	6	33.3	33.3	50.0
	3.00	9	50.0	50.0	100.0
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

OP7

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1.00	1	5.6	5.6	5.6
	2.00	6	33.3	33.3	38.9
	3.00	11	61.1	61.1	100.0
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

OP8

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1.00	9	50.0	50.0	50.0
	2.00	5	27.8	27.8	77.8
	3.00	4	22.2	22.2	100.0
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

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OP9

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1.00	6	33.3	33.3	33.3
	2.00	5	27.8	27.8	61.1
	3.00	7	38.9	38.9	100.0
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

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OP10

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1.00	11	61.1	61.1	61.1
	2.00	6	33.3	33.3	94.4
	3.00	1	5.6	5.6	100.0
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

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OP11

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1.00	2	11.1	11.1	11.1
	2.00	6	33.3	33.3	44.4
	3.00	10	55.6	55.6	100.0
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

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OP12

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1.00	8	44.4	44.4	44.4
	2.00	4	22.2	22.2	66.7
	3.00	6	33.3	33.3	100.0
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

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OP13

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1.00	2	11.1	11.1	11.1
	2.00	5	27.8	27.8	38.9
	3.00	11	61.1	61.1	100.0
		-------	-------	-------	
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

OP14

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1.00	9	50.0	50.0	50.0
	2.00	7	38.9	38.9	88.9
	3.00	2	11.1	11.1	100.0
		-------	-------	-------	
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

This procedure was completed at 23:13:19
missing values all (9).
crosstabs origin by op1 op2 op3 op4 op5 op6 op7 op8 op9 op10
op11 op12 op13 op14.

Memory allows for 9,114 cells with 2 dimensions for general CROSSTABS.

ORIGIN by OP1

Page 1 of 1

ORIGIN (Count)	OP1 1.00	2.00	3.00	Row Total
1.00 Foreign Banks	2	1	2	5 27.8
2.00 Local Banks	4		2	6 33.3
3.00 Japanese Banks	4	1	2	7 38.9
Column Total	10 55.6	2 11.1	6 33.3	18 100.0

Number of Missing Observations: 0

ORIGIN by OP2

Count	OP2 1.00	2.00	3.00	Row Total
ORIGIN				Page 1 of 1
1.00 Foreign Banks	3	1	1	5 27.8
2.00 Local Banks	3	1	2	6 33.3
3.00 Japanese Banks	4		3	7 38.9
Column Total	10 55.6	2 11.1	6 33.3	18 100.0

Number of Missing Observations: 0

ORIGIN by OP3

Count	OP3 1.00	2.00	3.00	Row Total
ORIGIN				Page 1 of 1
1.00 Foreign Banks	3	1	1	5 27.8
2.00 Local Banks	3		3	6 33.3
3.00 Japanese Banks	2	2	3	7 38.9
Column Total	8 44.4	3 16.7	7 38.9	18 100.0

Number of Missing Observations: 0

ORIGIN by OP4

Count	OP4 1.00	2.00	3.00	Row Total
ORIGIN				Page 1 of 1
1.00 Foreign Banks	3	1	1	5 27.8
2.00 Local Banks	3	3		6 33.3
3.00 Japanese Banks	5	2		7 38.9
Column Total	11 61.1	6 33.3	1 5.6	18 100.0

Number of Missing Observations: 0

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ORIGIN by OP5

OP5 Page 1 of 1

Count	1.00	2.00	3.00	Row Total
ORIGIN				
1.00 Foreign Banks	5			5 27.8
2.00 Local Banks	3	2	1	6 33.3
3.00 Japanese Banks	3	3	1	7 38.9
Column Total	11 61.1	5 27.8	2 11.1	18 100.0

Number of Missing Observations: 0

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ORIGIN by OP6

OP6 Page 1 of 1

Count	1.00	2.00	3.00	Row Total
ORIGIN				
1.00 Foreign Banks	1	2	2	5 27.8
2.00 Local Banks	1	1	4	6 33.3
3.00 Japanese Banks	1	3	3	7 38.9
Column Total	3 16.7	6 33.3	9 50.0	18 100.0

Number of Missing Observations: 0

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ORIGIN by OP7

OP7 Page 1 of 1

Count	1.00	2.00	3.00	Row Total
ORIGIN				
1.00 Foreign Banks		2	3	5 27.8
2.00 Local Banks	1	1	4	6 33.3

				Row Total
3.00 Japanese Banks		3	4	7 38.9
Column Total	1 5.6	6 33.3	11 61.1	18 100.0

Number of Missing Observations: 0

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ORIGIN by OP8

OP8 Page 1 of 1

Count / ORIGIN	1.00	2.00	3.00	Row Total
1.00 Foreign Banks	2	2	1	5 27.8
2.00 Local Banks	3	2	1	6 33.3
3.00 Japanese Banks	4	1	2	7 38.9
Column Total	9 50.0	5 27.8	4 22.2	18 100.0

Number of Missing Observations: 0

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ORIGIN by OP9

OP9 Page 1 of 1

Count / ORIGIN	1.00	2.00	3.00	Row Total
1.00 Foreign Banks	2	2	1	5 27.8
2.00 Local Banks	2	2	2	6 33.3
3.00 Japanese Banks	2	1	4	7 38.9
Column Total	6 33.3	5 27.8	7 38.9	18 100.0

Number of Missing Observations: 0

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ORIGIN by OP10

OP10 Page 1 of 1

Count	1.00	2.00	3.00	Row Total

ORIGIN				
1.00 Foreign Banks	3	2		5 27.8
2.00 Local Banks	4	1	1	6 33.3
3.00 Japanese Banks	4	3		7 38.9
Column Total	11 61.1	6 33.3	1 5.6	18 100.0

Number of Missing Observations: 0

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ORIGIN by OP11

OP11 Page 1 of 1

Count / ORIGIN	OP11 1.00	2.00	3.00	Row Total
1.00 Foreign Banks			5	5 27.8
2.00 Local Banks		3	3	6 33.3
3.00 Japanese Banks	2	3	2	7 38.9
Column Total	2 11.1	6 33.3	10 55.6	18 100.0

Number of Missing Observations: 0

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ORIGIN by OP12

OP12 Page 1 of 1

Count / ORIGIN	OP12 1.00	2.00	3.00	Row Total
1.00 Foreign Banks	2	2	1	5 27.8
2.00 Local Banks	3	1	2	6 33.3
3.00 Japanese Banks	3	1	3	7 38.9
Column Total	8 44.4	4 22.2	6 33.3	18 100.0

Number of Missing Observations: 0

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ORIGIN by OP13

OP13 Page 1 of 1

ORIGIN	Count	1.00	2.00	3.00	Row Total
Foreign Banks	1.00	1	1	3	5 27.8
Local Banks	2.00	1	1	4	6 33.3
Japanese Banks	3.00		3	4	7 38.9
	Column Total	2 11.1	5 27.8	11 61.1	18 100.0

Number of Missing Observations: 0

ORIGIN by OP14

OP14 Page 1 of 1

ORIGIN	Count	1.00	2.00	3.00	Row Total
Foreign Banks	1.00	3	2		5 27.8
Local Banks	2.00	2	3	1	6 33.3
Japanese Banks	3.00	4	2	1	7 38.9
	Column Total	9 50.0	7 38.9	2 11.1	18 100.0

Number of Missing Observations: 0

This procedure was completed at 23:13:27
Save outfile 'mba5.sys'.
The SPSS/SW+ system file is written to
file mba5.sys
23 variables (including system variables) will be saved.
0 variables have been dropped.

The system file consists of:

432 Characters for the header record.
736 Characters for variable definition.
80 Characters for labels.
2048 Characters for data.
3296 Total file size.

18 out of 18 cases have been saved.

```
This procedure was completed at 23:13:27
-------------------------------------------------------------------------------
Page  59                  SPSS/PC+ Studentware+                        5/2/80

data list free/p1 p2 p3 p4 p5 p6 p7 p8 p9 p10 p11 p12 p13 p14 p15 p16 p17
               p18 p19 p20 p21
               origin post year capital asset view.
begin data
end data.
     18 cases are written to the compressed active file.
This procedure was completed at 23:16:05
list.

The VARIABLES are listed in the following order:

Line    1: P1 P2 P3 P4 P5 P6 P7

Line    2: P8 P9 P10 P11 P12 P13 P14

Line    3: P15 P16 P17 P18 P19 P20 P21

Line    4: ORIGIN POST YEAR CAPITAL ASSET VIEW
-------------------------------------------------------------------------------
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     P1:      3.00      1.00      1.00      1.00      1.00      3.00      1.00
     P8:      2.00      1.00      2.00      9.00      9.00      3.00      9.00
    P15:       .00      1.00      1.00      1.00      1.00      1.00      1.00
 ORIGIN:      2.00      2.00      3.00      4.00      4.00       .00

     P1:      2.00       .00      1.00      1.00      1.00      4.00      1.00
     P8:      1.00      1.00      1.00      3.00      1.00      9.00      9.00
    P15:       .00      1.00      1.00       .00       .00       .00       .00
 ORIGIN:      4.00      2.00      2.00      4.00      3.00       .00

     P1:      3.00      9.00      1.00      1.00      1.00      3.00      2.00
     P8:      3.00      1.00      1.00      3.00      1.00      2.00      9.00
    P15:       .00      1.00      1.00      1.00      1.00      1.00      1.00
 ORIGIN:      5.00      3.00      2.00      4.00      4.00       .00

     P1:      9.00      1.00      1.00      1.00      1.00      4.00      9.00
     P8:      1.00       .00      9.00      9.00      9.00      9.00      9.00
    P15:       .00       .00       .00       .00       .00       .00       .00
 ORIGIN:      8.00      1.00      2.00      4.00      3.00       .00

     P1:      1.00       .00      1.00      1.00      1.00      4.00      1.00
     P8:      3.00      1.00      1.00      2.00      2.00      3.00      9.00
    P15:      1.00      1.00      1.00      1.00       .00      1.00      1.00
-------------------------------------------------------------------------------
Page  61                  SPSS/PC+ Studentware+                        5/2/80
 ORIGIN:      4.00      2.00      3.00      4.00      3.00       .00

     P1:      3.00      1.00      1.00      1.00      1.00      9.00      9.00
     P8:      2.00       .00      9.00      9.00      9.00      9.00      9.00
    P15:      1.00      1.00      1.00      1.00      1.00      1.00      1.00
 ORIGIN:      1.00      2.00      1.00      4.00      4.00       .00

     P1:      3.00      1.00      1.00      1.00      1.00      4.00      2.00
     P8:      3.00       .00      9.00      9.00      9.00      9.00      9.00
    P15:       .00      1.00      1.00      1.00      9.00      1.00      1.00
 ORIGIN:      6.00      1.00      1.00      2.00      2.00       .00

     P1:      3.00      1.00      1.00      1.00      1.00      9.00      9.00
```

```
     P8:     9.00      .00     9.00     9.00     9.00     9.00     9.00
    P15:      .00     1.00     1.00     9.00     9.00     1.00      .00
 ORIGIN:     3.00     2.00     2.00     4.00     4.00      .00

     P1:     3.00     1.00     1.00     1.00     1.00     4.00     1.00
     P8:     3.00      .00     9.00     9.00     9.00     9.00     1.00
    P15:      .00     1.00     1.00     9.00     9.00     1.00     1.00
 ORIGIN:     6.00     3.00     2.00     2.00     1.00      .00

     P1:     3.00     1.00     1.00     1.00     1.00     4.00     1.00
     P8:     3.00     1.00     3.00     3.00     2.00     9.00     9.00
----------------------------------------------------------------------------
Page  62                  SPSS/PC+ Studentware+                      5/2/80
    P15:     1.00     1.00     9.00     9.00     9.00     1.00     9.00
 ORIGIN:     6.00     2.00     2.00     4.00     4.00      .00

     P1:     3.00     1.00     1.00     1.00     1.00     3.00     1.00
     P8:     4.00      .00     9.00     9.00     9.00     9.00     1.00
    P15:      .00     1.00     1.00     1.00     1.00     1.00     1.00
 ORIGIN:     7.00     2.00     2.00     4.00     3.00      .00

     P1:     1.00     9.00     1.00     9.00     9.00     4.00     1.00
     P8:     1.00      .00     9.00     9.00     9.00     9.00     9.00
    P15:      .00     1.00     9.00     1.00     9.00      .00      .00
 ORIGIN:     6.00     2.00     3.00     4.00     4.00     1.00

     P1:     2.00     9.00     9.00     1.00     1.00     9.00     9.00
     P8:     2.00     1.00     3.00     3.00     2.00     2.00     9.00
    P15:      .00     1.00     1.00     1.00     1.00     1.00     1.00
 ORIGIN:     6.00     3.00     2.00     3.00     4.00     1.00

     P1:     3.00     1.00     1.00     1.00     1.00     4.00     2.00
     P8:     4.00      .00     9.00     9.00     9.00     9.00     9.00
    P15:      .00     1.00      .00     1.00      .00      .00      .00
 ORIGIN:     6.00     2.00     1.00     3.00     4.00     1.00

     P1:     3.00     1.00     1.00     1.00     1.00     4.00     2.00
----------------------------------------------------------------------------
Page  63                  SPSS/PC+ Studentware+                      5/2/80
     P8:     3.00     1.00     2.00     3.00     2.00     1.00     9.00
    P15:      .00     9.00     9.00     1.00     9.00     1.00     9.00
 ORIGIN:     6.00     2.00     1.00     4.00     4.00     1.00

     P1:     3.00     1.00     1.00     1.00     1.00     9.00     9.00
     P8:     3.00     1.00     2.00     2.00     2.00     2.00     9.00
    P15:      .00     1.00     1.00     1.00     1.00      .00      .00
 ORIGIN:     4.00     3.00     3.00     4.00     3.00      .00

     P1:     3.00     1.00     1.00     1.00     1.00     9.00     9.00
     P8:     3.00     1.00     2.00     3.00     2.00     1.00     9.00
    P15:     1.00     9.00     9.00     1.00     1.00     1.00     1.00
 ORIGIN:     7.00     3.00     3.00     4.00     4.00      .00

     P1:     3.00     1.00     1.00     1.00     1.00     4.00     1.00
     P8:     3.00     1.00     1.00     1.00     3.00     2.00     9.00
    P15:     1.00     1.00     1.00     9.00     9.00     1.00     1.00
 ORIGIN:     4.00     2.00     3.00     4.00     3.00     1.00


Number of cases read =      18    Number of cases listed =      18
----------------------------------------------------------------------------
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This procedure was completed at 23:16:09
recode origin (1 2 3 5 8 = 1) (4 7 = 2) (6 = 3).
value labels origin 1 'Foreign Banks' 2 'Local Banks' 3 'Japanese Banks'.
```

```
missing values all (9).
frequencies all.
The raw data or transformation pass is proceeding
    18 cases are written to the compressed active file.

***** Memory allows a total of  12576 Values, accumulated across all Variables.
      There also may be up to    1572 Value Labels for each Variable.
```

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P1

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1.00	2	11.1	11.8	11.8
	2.00	2	11.1	11.8	23.5
	3.00	13	72.2	76.5	100.0
	9.00	1	5.6	Missing	
	Total	18	100.0	100.0	

Valid cases 17 Missing cases 1

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P2

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	.00	2	11.1	13.3	13.3
	1.00	13	72.2	86.7	100.0
	9.00	3	16.7	Missing	
	Total	18	100.0	100.0	

Valid cases 15 Missing cases 3

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P3

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1.00	17	94.4	100.0	100.0
	9.00	1	5.6	Missing	
	Total	18	100.0	100.0	

Valid cases 17 Missing cases 1

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P4

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1.00	17	94.4	100.0	100.0

	9.00	1	5.6	Missing	
	Total	18	100.0	100.0	

Valid cases 17 Missing cases 1

P5

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1.00	17	94.4	100.0	100.0
	9.00	1	5.6	Missing	
	Total	18	100.0	100.0	

Valid cases 17 Missing cases 1

P6

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	3.00	3	16.7	23.1	23.1
	4.00	10	55.6	76.9	100.0
	9.00	5	27.8	Missing	
	Total	18	100.0	100.0	

Valid cases 13 Missing cases 5

P7

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1.00	8	44.4	66.7	66.7
	2.00	4	22.2	33.3	100.0
	9.00	6	33.3	Missing	
	Total	18	100.0	100.0	

Valid cases 12 Missing cases 6

P8

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1.00	3	16.7	17.6	17.6
	2.00	3	16.7	17.6	35.3
	3.00	9	50.0	52.9	88.2
	4.00	2	11.1	11.8	100.0
	9.00	1	5.6	Missing	

	Total	18	100.0	100.0	

Valid cases 17 Missing cases 1

P9

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	.00	8	44.4	44.4	44.4
	1.00	10	55.6	55.6	100.0
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

P10

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1.00	4	22.2	40.0	40.0
	2.00	4	22.2	40.0	80.0
	3.00	2	11.1	20.0	100.0
	9.00	8	44.4	Missing	
	Total	18	100.0	100.0	

Valid cases 10 Missing cases 8

P11

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1.00	1	5.6	11.1	11.1
	2.00	2	11.1	22.2	33.3
	3.00	6	33.3	66.7	100.0
	9.00	9	50.0	Missing	
	Total	18	100.0	100.0	

Valid cases 9 Missing cases 9

P12

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1.00	2	11.1	22.2	22.2
	2.00	6	33.3	66.7	88.9
	3.00	1	5.6	11.1	100.0
	9.00	9	50.0	Missing	

	Total	18	100.0	100.0	

Valid cases 9 Missing cases 9

P13

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1.00	2	11.1	25.0	25.0
	2.00	4	22.2	50.0	75.0
	3.00	2	11.1	25.0	100.0
	9.00	10	55.6	Missing	
	Total	18	100.0	100.0	

Valid cases 8 Missing cases 10

P14

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1.00	2	11.1	100.0	100.0
	9.00	16	88.9	Missing	
	Total	18	100.0	100.0	

Valid cases 2 Missing cases 16

P15

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	.00	13	72.2	72.2	72.2
	1.00	5	27.8	27.8	100.0
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

P16

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	.00	1	5.6	6.3	6.3
	1.00	15	83.3	93.8	100.0
	9.00	2	11.1	Missing	
	Total	18	100.0	100.0	

Valid cases 16 Missing cases 2

P17

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	.00	2	11.1	14.3	14.3
	1.00	12	66.7	85.7	100.0
	9.00	4	22.2	Missing	
	Total	18	100.0	100.0	

Valid cases 14 Missing cases 4

P18

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	.00	2	11.1	14.3	14.3
	1.00	12	66.7	85.7	100.0
	9.00	4	22.2	Missing	
	Total	18	100.0	100.0	

Valid cases 14 Missing cases 4

P19

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	.00	4	22.2	36.4	36.4
	1.00	7	38.9	63.6	100.0
	9.00	7	38.9	Missing	
	Total	18	100.0	100.0	

Valid cases 11 Missing cases 7

P20

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	.00	5	27.8	27.8	27.8
	1.00	13	72.2	72.2	100.0
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

P21

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	.00	6	33.3	37.5	37.5
	1.00	10	55.6	62.5	100.0
	9.00	2	11.1	Missing	
	Total	18	100.0	100.0	

Valid cases 16 Missing cases 2

ORIGIN

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
Foreign Banks	1.00	5	27.8	27.8	27.8
Local Banks	2.00	6	33.3	33.3	61.1
Japanese Banks	3.00	7	38.9	38.9	100.0
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

POST

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1.00	2	11.1	11.1	11.1
	2.00	11	61.1	61.1	72.2
	3.00	5	27.8	27.8	100.0
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

YEAR

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1.00	4	22.2	22.2	22.2
	2.00	8	44.4	44.4	66.7
	3.00	6	33.3	33.3	100.0
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

CAPITAL

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	2.00	2	11.1	11.1	11.1
	3.00	2	11.1	11.1	22.2
	4.00	14	77.8	77.8	100.0
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

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ASSET

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	1.00	1	5.6	5.6	5.6
	2.00	1	5.6	5.6	11.1
	3.00	6	33.3	33.3	44.4
	4.00	10	55.6	55.6	100.0
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

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VIEW

Value Label	Value	Frequency	Percent	Valid Percent	Cum Percent
	.00	13	72.2	72.2	72.2
	1.00	5	27.8	27.8	100.0
	Total	18	100.0	100.0	

Valid cases 18 Missing cases 0

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This procedure was completed at 23:16:19
crosstabs origin by p1 p2 p3 p4 p5 p6 p7 p8 p9 p10 p11 p12 p13 p14 p15
p16 p17 p18 p19 p20 p21.

Memory allows for 9,114 cells with 2 dimensions for general CROSSTABS.

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ORIGIN by P1

P1 Page 1 of 1

ORIGIN (Count)	1.00	2.00	3.00	Row Total
1.00 Foreign Banks			4	4 23.5

2.00 Local Banks	1	1	4	6 35.3
3.00 Japanese Banks	1	1	5	7 41.2
Column Total	2 11.8	2 11.8	13 76.5	17 100.0

Number of Missing Observations: 1

ORIGIN by P2

P2 Page 1 of 1

ORIGIN (Count)	.00	1.00	Row Total
1.00 Foreign Banks		4	4 26.7
2.00 Local Banks	2	4	6 40.0
3.00 Japanese Banks		5	5 33.3
Column Total	2 13.3	13 86.7	15 100.0

Number of Missing Observations: 3

ORIGIN by P3

P3 Page 1 of 1

ORIGIN (Count)	1.00	Row Total
1.00 Foreign Banks	5	5 29.4
2.00 Local Banks	6	6 35.3
3.00 Japanese Banks	6	6 35.3
Column Total	17 100.0	17 100.0

Number of Missing Observations: 1

ORIGIN by P4

P4 Page 1 of 1

Count

ORIGIN	1.00	Row Total
1.00 Foreign Banks	5	5 29.4
2.00 Local Banks	6	6 35.3
3.00 Japanese Banks	6	6 35.3
Column Total	17 100.0	17 100.0

Number of Missing Observations: 1

ORIGIN by P5

P5 Page 1 of 1

Count ORIGIN	1.00	Row Total
1.00 Foreign Banks	5	5 29.4
2.00 Local Banks	6	6 35.3
3.00 Japanese Banks	6	6 35.3
Column Total	17 100.0	17 100.0

Number of Missing Observations: 1

ORIGIN by P6

P6 Page 1 of 1

Count ORIGIN	3.00	4.00	Row Total
1.00 Foreign Banks	2	1	3 23.1
2.00 Local Banks	1	3	4 30.8
3.00 Japanese Banks		6	6 46.2
Column Total	3 23.1	10 76.9	13 100.0

Number of Missing Observations: 5

ORIGIN by P7

ORIGIN	Count	P7 1.00	2.00	Row Total
Foreign Banks	1.00	1	1	2 16.7
Local Banks	2.00	4		4 33.3
Japanese Banks	3.00	3	3	6 50.0
	Column Total	8 66.7	4 33.3	12 100.0

Page 1 of 1

Number of Missing Observations: 6

ORIGIN by P8

ORIGIN	Count	P8 1.00	2.00	3.00	4.00	Row Total
Foreign Banks	1.00	1	2	1		4 23.5
Local Banks	2.00	1		4	1	6 35.3
Japanese Banks	3.00	1	1	4	1	7 41.2
	Column Total	3 17.6	3 17.6	9 52.9	2 11.8	17 100.0

Page 1 of 1

Number of Missing Observations: 1

ORIGIN by P9

ORIGIN	Count	P9 .00	1.00	Row Total
Foreign Banks	1.00	3	2	5 27.8
Local Banks	2.00	1	5	6 33.3
Japanese Banks	3.00	4	3	7 38.9

Page 1 of 1

	1.00	2.00	Row Total
Column Total	8 44.4	10 55.6	18 100.0

Number of Missing Observations: 0

ORIGIN by P10

P10 Page 1 of 1

Count ORIGIN	1.00	2.00	3.00	Row Total
1.00 Foreign Banks	1	1		2 20.0
2.00 Local Banks	3	2		5 50.0
3.00 Japanese Banks		1	2	3 30.0
Column Total	4 40.0	4 40.0	2 20.0	10 100.0

Number of Missing Observations: 8

ORIGIN by P11

P11 Page 1 of 1

Count ORIGIN	1.00	2.00	3.00	Row Total
1.00 Foreign Banks			1	1 11.1
2.00 Local Banks	1	2	2	5 55.6
3.00 Japanese Banks			3	3 33.3
Column Total	1 11.1	2 22.2	6 66.7	9 100.0

Number of Missing Observations: 9

ORIGIN by P12

P12 Page 1 of 1

Count ORIGIN	1.00	2.00	3.00	Row Total
1.00 Foreign Banks	1			1 11.1

ORIGIN				Row Total
2.00 Local Banks	1	3	1	5 55.6
3.00 Japanese Banks		3		3 33.3
Column Total	2 22.2	6 66.7	1 11.1	9 100.0

Number of Missing Observations: 9

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ORIGIN by P13

P13 Count — Page 1 of 1

ORIGIN	1.00	2.00	3.00	Row Total
1.00 Foreign Banks		1	1	2 25.0
2.00 Local Banks	1	2	1	4 50.0
3.00 Japanese Banks	1	1		2 25.0
Column Total	2 25.0	4 50.0	2 25.0	8 100.0

Number of Missing Observations: 10

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ORIGIN by P14

P14 Count — Page 1 of 1

ORIGIN	1.00	Row Total
2.00 Local Banks	1	1 50.0
3.00 Japanese Banks	1	1 50.0
Column Total	2 100.0	2 100.0

Number of Missing Observations: 16

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ORIGIN by P15

P15 Count — Page 1 of 1

ORIGIN	.00	1.00	Row Total

1.00 Foreign Banks	4	1	5 27.8
2.00 Local Banks	3	3	6 33.3
3.00 Japanese Banks	6	1	7 38.9
Column Total	13 72.2	5 27.8	18 100.0

Number of Missing Observations: 0

ORIGIN by P16

P16 Page 1 of 1

ORIGIN Count	.00	1.00	Row Total
1.00 Foreign Banks	1	4	5 31.3
2.00 Local Banks		5	5 31.3
3.00 Japanese Banks		6	6 37.5
Column Total	1 6.3	15 93.8	16 100.0

Number of Missing Observations: 2

ORIGIN by P17

P17 Page 1 of 1

ORIGIN Count	.00	1.00	Row Total
1.00 Foreign Banks	1	4	5 35.7
2.00 Local Banks		5	5 35.7
3.00 Japanese Banks	1	3	4 28.6
Column Total	2 14.3	12 85.7	14 100.0

Number of Missing Observations: 4

ORIGIN by P18

P18 Count	.00	1.00	Row Total
ORIGIN			
1.00 Foreign Banks	1	3	4 28.6
2.00 Local Banks	1	4	5 35.7
3.00 Japanese Banks		5	5 35.7
Column Total	2 14.3	12 85.7	14 100.0

Page 1 of 1

Number of Missing Observations: 4

ORIGIN by P19

P19 Count	.00	1.00	Row Total
ORIGIN			
1.00 Foreign Banks	1	3	4 36.4
2.00 Local Banks	2	3	5 45.5
3.00 Japanese Banks	1	1	2 18.2
Column Total	4 36.4	7 63.6	11 100.0

Page 1 of 1

Number of Missing Observations: 7

ORIGIN by P20

P20 Count	.00	1.00	Row Total
ORIGIN			
1.00 Foreign Banks	1	4	5 27.8
2.00 Local Banks	2	4	6 33.3
3.00 Japanese Banks	2	5	7 38.9
Column Total	5 27.8	13 72.2	18 100.0

Page 1 of 1

Appendix 9

Frequency Tabulation - Foreign vs Local banks

```
recode op1 op2 op3 op4 op5 op6 op7 op8 op9 op10 op11 op12 op13 op14
      (1 2 = 1) (3 = 2) (4 5 = 3).
recode origin (1 2 3 5 6 8 = 1) (4 7 = 2).
value labels origin 1 'Foreign Banks' 2 'Local Banks'.
crosstab origin by op1 op2 op3 op4 op5 op6 op7 op8 op9 op10
The raw data or transformation pass is proceeding
    18 cases are written to the compressed active file.
                    op11 op12 op13 op14 / cells count row.

Memory allows for 9,114 cells with 2 dimensions for general CROSSTABS.
```

ORIGIN by OP1

OP1 — Page 1 of 1

Count / Row Pct	1.00	2.00	3.00	Row Total
ORIGIN 1.00 Foreign Banks	6 50.0	2 16.7	4 33.3	12 66.7
2.00 Local Banks	4 66.7		2 33.3	6 33.3
Column Total	10 55.6	2 11.1	6 33.3	18 100.0

Number of Missing Observations: 0

ORIGIN by OP2

OP2 — Page 1 of 1

Count / Row Pct	1.00	2.00	3.00	Row Total
ORIGIN 1.00 Foreign Banks	7 58.3	1 8.3	4 33.3	12 66.7
2.00 Local Banks	3 50.0	1 16.7	2 33.3	6 33.3
Column Total	10 55.6	2 11.1	6 33.3	18 100.0

Number of Missing Observations: 0

ORIGIN by OP3

OP3 — Page 1 of 1

Count / Row Pct	1.00	2.00	3.00	Row Total
ORIGIN 1.00 Foreign Banks	5 41.7	3 25.0	4 33.3	12 66.7

2.00 Local Banks	3 50.0		3 50.0	6 33.3
Column Total	8 44.4	3 16.7	7 38.9	18 100.0

Number of Missing Observations: 0

ORIGIN by OP4

OP4 Page 1 of 1

ORIGIN (Count / Row Pct)	1.00	2.00	3.00	Row Total
1.00 Foreign Banks	8 66.7	3 25.0	1 8.3	12 66.7
2.00 Local Banks	3 50.0	3 50.0		6 33.3
Column Total	11 61.1	6 33.3	1 5.6	18 100.0

Number of Missing Observations: 0

ORIGIN by OP5

OP5 Page 1 of 1

ORIGIN (Count / Row Pct)	1.00	2.00	3.00	Row Total
1.00 Foreign Banks	8 66.7	3 25.0	1 8.3	12 66.7
2.00 Local Banks	3 50.0	2 33.3	1 16.7	6 33.3
Column Total	11 61.1	5 27.8	2 11.1	18 100.0

Number of Missing Observations: 0

ORIGIN by OP6

OP6 Page 1 of 1

ORIGIN (Count / Row Pct)	1.00	2.00	3.00	Row Total
1.00 Foreign Banks	2 16.7	5 41.7	5 41.7	12 66.7
2.00 Local Banks	1 16.7	1 16.7	4 66.7	6 33.3

Column Total	3 16.7	6 33.3	9 50.0	18 100.0

Number of Missing Observations: 0

ORIGIN by OP7

OP7 Page 1 of 1

ORIGIN (Count / Row Pct)	1.00	2.00	3.00	Row Total
1.00 Foreign Banks		5 41.7	7 58.3	12 66.7
2.00 Local Banks	1 16.7	1 16.7	4 66.7	6 33.3
Column Total	1 5.6	6 33.3	11 61.1	18 100.0

Number of Missing Observations: 0

ORIGIN by OP8

OP8 Page 1 of 1

ORIGIN (Count / Row Pct)	1.00	2.00	3.00	Row Total
1.00 Foreign Banks	6 50.0	3 25.0	3 25.0	12 66.7
2.00 Local Banks	3 50.0	2 33.3	1 16.7	6 33.3
Column Total	9 50.0	5 27.8	4 22.2	18 100.0

Number of Missing Observations: 0

ORIGIN by OP9

OP9 Page 1 of 1

ORIGIN (Count / Row Pct)	1.00	2.00	3.00	Row Total
1.00 Foreign Banks	4 33.3	3 25.0	5 41.7	12 66.7
2.00 Local Banks	2 33.3	2 33.3	2 33.3	6 33.3
Column Total	6 33.3	5 27.8	7 38.9	18 100.0

Number of Missing Observations: 0

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ORIGIN by OP10

OP10 Page 1 of 1

ORIGIN (Count / Row Pct)	1.00	2.00	3.00	Row Total
1.00 Foreign Banks	7 58.3	5 41.7		12 66.7
2.00 Local Banks	4 66.7	1 16.7	1 16.7	6 33.3
Column Total	11 61.1	6 33.3	1 5.6	18 100.0

Number of Missing Observations: 0

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ORIGIN by OP11

OP11 Page 1 of 1

ORIGIN (Count / Row Pct)	1.00	2.00	3.00	Row Total
1.00 Foreign Banks	2 16.7	3 25.0	7 58.3	12 66.7
2.00 Local Banks		3 50.0	3 50.0	6 33.3
Column Total	2 11.1	6 33.3	10 55.6	18 100.0

Number of Missing Observations: 0

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ORIGIN by OP12

OP12 Page 1 of 1

ORIGIN (Count / Row Pct)	1.00	2.00	3.00	Row Total
1.00 Foreign Banks	5 41.7	3 25.0	4 33.3	12 66.7
2.00 Local Banks	3 50.0	1 16.7	2 33.3	6 33.3
Column Total	8 44.4	4 22.2	6 33.3	18 100.0

Number of Missing Observations: 0

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ORIGIN by OP13

Count / Row Pct	OP13 1.00	2.00	3.00	Row Total
ORIGIN 1.00 Foreign Banks	1 8.3	4 33.3	7 58.3	12 66.7
2.00 Local Banks	1 16.7	1 16.7	4 66.7	6 33.3
Column Total	2 11.1	5 27.8	11 61.1	18 100.0

Page 1 of 1

Number of Missing Observations: 0

ORIGIN by OP14

Count / Row Pct	OP14 1.00	2.00	3.00	Row Total
ORIGIN 1.00 Foreign Banks	7 58.3	4 33.3	1 8.3	12 66.7
2.00 Local Banks	2 33.3	3 50.0	1 16.7	6 33.3
Column Total	9 50.0	7 38.9	2 11.1	18 100.0

Page 1 of 1

Number of Missing Observations: 0

Appendix 10

T-test for Foreign banks and Local banks

Variances	t-value	df	95% 2-Tail Sig	SE of Diff	CI for Diff
Equal	.34	16	.735	.484	(-.860, 1.193)
Unequal	.33	9.25	.747	.501	(-.967, 1.300)

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t-tests for independent samples of ORIGIN

Variable	Number of Cases	Mean	SD	SE of Mean
OP2				
Foreign Banks	12	1.7500	.965	.279
Local Banks	6	1.8333	.983	.401

Mean Difference = -.0833

Levene's Test for Equality of Variances: F= .064 P= .803

t-test for Equality of Means

Variances	t-value	df	2-Tail Sig	SE of Diff	95% CI for Diff
Equal	-.17	16	.866	.485	(-1.113, .946)
Unequal	-.17	9.93	.868	.489	(-1.172, 1.006)

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t-tests for independent samples of ORIGIN

Variable	Number of Cases	Mean	SD	SE of Mean
OP3				
Foreign Banks	12	1.9167	.900	.260
Local Banks	6	2.0000	1.095	.447

Mean Difference = -.0833

Levene's Test for Equality of Variances: F= 1.864 P= .191

t-test for Equality of Means

Variances	t-value	df	2-Tail Sig	SE of Diff	95% CI for Diff
Equal	-.17	16	.865	.483	(-1.107, .940)
Unequal	-.16	8.51	.876	.517	(-1.254, 1.087)

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t-tests for independent samples of ORIGIN

Variable	Number of Cases	Mean	SD	SE of Mean
OP4				

Foreign Banks	12	1.4167	.669	.193
Local Banks	6	1.5000	.548	.224

Mean Difference = -.0833

Levene's Test for Equality of Variances: F= .163 P= .692

t-test for Equality of Means					95%
Variances	t-value	df	2-Tail Sig	SE of Diff	CI for Diff
Equal	-.26	16	.796	.317	(-.755, .588)
Unequal	-.28	12.16	.783	.295	(-.727, .560)

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t-tests for independent samples of ORIGIN

Variable	Number of Cases	Mean	SD	SE of Mean
OP5				
Foreign Banks	12	1.4167	.669	.193
Local Banks	6	1.6667	.816	.333

Mean Difference = -.2500

Levene's Test for Equality of Variances: F= .420 P= .526

t-test for Equality of Means					95%
Variances	t-value	df	2-Tail Sig	SE of Diff	CI for Diff
Equal	-.70	16	.496	.359	(-1.011, .511)
Unequal	-.65	8.48	.533	.385	(-1.138, .638)

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t-tests for independent samples of ORIGIN

Variable	Number of Cases	Mean	SD	SE of Mean
OP6				
Foreign Banks	12	2.2500	.754	.218
Local Banks	6	2.5000	.837	.342

Mean Difference = -.2500

Levene's Test for Equality of Variances: F= .046 P= .832

t-test for Equality of Means					95%
Variances	t-value	df	2-Tail Sig	SE of Diff	CI for Diff
Equal	-.64	16	.531	.390	(-1.078, .578)
Unequal	-.62	9.19	.552	.405	(-1.166, .666)

---

t-tests for independent samples of ORIGIN

Variable	Number of Cases	Mean	SD	SE of Mean
OP7				
Foreign Banks	12	2.5833	.515	.149
Local Banks	6	2.5000	.837	.342

Mean Difference = .0833

Levene's Test for Equality of Variances: F= 2.282 P= .150

t-test for Equality of Means

Variances	t-value	df	2-Tail Sig	SE of Diff	95% CI for Diff
Equal	.26	16	.796	.317	(-.588, .755)
Unequal	.22	6.96	.829	.373	(-.798, .964)

---

t-tests for independent samples of ORIGIN

Variable	Number of Cases	Mean	SD	SE of Mean
OP8				
Foreign Banks	12	1.7500	.866	.250
Local Banks	6	1.6667	.816	.333

Mean Difference = .0833

Levene's Test for Equality of Variances: F= .205 P= .657

t-test for Equality of Means

Variances	t-value	df	2-Tail Sig	SE of Diff	95% CI for Diff
Equal	.20	16	.847	.425	(-.819, .985)
Unequal	.20	10.67	.845	.417	(-.834, 1.001)

---

t-tests for independent samples of ORIGIN

Variable	Number of Cases	Mean	SD	SE of Mean
OP9				
Foreign Banks	12	2.0833	.900	.260
Local Banks	6	2.0000	.894	.365

Mean Difference = .0833

Levene's Test for Equality of Variances: F= .186 P= .672

t-test for Equality of Means					95%
Variances	t-value	df	2-Tail Sig	SE of Diff	CI for Diff
Equal	.19	16	.855	.449	(-.869, 1.036)
Unequal	.19	10.16	.856	.448	(-.916, 1.082)

---

t-tests for independent samples of ORIGIN

Variable	Number of Cases	Mean	SD	SE of Mean
OP10				
Foreign Banks	12	1.4167	.515	.149
Local Banks	6	1.5000	.837	.342

Mean Difference = -.0833

Levene's Test for Equality of Variances: F= 2.282 P= .150

t-test for Equality of Means					95%
Variances	t-value	df	2-Tail Sig	SE of Diff	CI for Diff
Equal	-.26	16	.796	.317	(-.755, .588)
Unequal	-.22	6.96	.829	.373	(-.964, .798)

---

t-tests for independent samples of ORIGIN

Variable	Number of Cases	Mean	SD	SE of Mean
OP11				
Foreign Banks	12	2.4167	.793	.229
Local Banks	6	2.5000	.548	.224

Mean Difference = -.0833

Levene's Test for Equality of Variances: F= 1.535 P= .233

t-test for Equality of Means					95%
Variances	t-value	df	2-Tail Sig	SE of Diff	CI for Diff
Equal	-.23	16	.821	.363	(-.852, .686)
Unequal	-.26	13.99	.798	.320	(-.770, .603)

---

t-tests for independent samples of ORIGIN

Variable	Number of Cases	Mean	SD	SE of Mean

OP12

Foreign Banks	12	1.9167	.900	.260
Local Banks	6	1.8333	.983	.401

Mean Difference = .0833

Levene's Test for Equality of Variances: F= .120 P= .734

t-test for Equality of Means

Variances	t-value	df	2-Tail Sig	SE of Diff	95% CI for Diff
Equal	.18	16	.860	.464	(-.900, 1.066)
Unequal	.17	9.33	.865	.478	(-.999, 1.165)

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t-tests for independent samples of ORIGIN

Variable	Number of Cases	Mean	SD	SE of Mean
OP13				
Foreign Banks	12	2.5000	.674	.195
Local Banks	6	2.5000	.837	.342

Mean Difference = .0000

Levene's Test for Equality of Variances: F= .254 P= .621

t-test for Equality of Means

Variances	t-value	df	2-Tail Sig	SE of Diff	95% CI for Diff
Equal	.00	16	1.000	.364	(-.773, .773)
Unequal	.00	8.37	1.000	.393	(-.907, .907)

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t-tests for independent samples of ORIGIN

Variable	Number of Cases	Mean	SD	SE of Mean
OP14				
Foreign Banks	12	1.5000	.674	.195
Local Banks	6	1.8333	.753	.307

Mean Difference = -.3333

Levene's Test for Equality of Variances: F= .026 P= .874

t-test for Equality of Means

Variances	t-value	df	2-Tail Sig	SE of Diff	95% CI for Diff
Equal	-.95	16	.355	.350	(-1.075, .409)
Unequal	-.92	9.15	.383	.364	(-1.156, .490)

Appendix 11

Frequency Tabulation - Foreign vs Local vs Japanese banks

```
ecode origin (6 = 3) (1 2 3 5 8 = 1) (4 7 = 2).
alue labels origin 1 'Foreign Banks' 2 'Local Banks' 3 'Japanese Banks'.
ecode op1 op2 op3 op4 op5 op6 op7 op8 op9 op10 op11 op12 op13 op14
      (1 2 = 1) (3 = 2) (4 5 = 3).
rosstab origin by op1 op2 op3 op4 op5 op6 op7 op8 op9 op10
he raw data or transformation pass is proceeding
    18 cases are written to the compressed active file.
                  op11 op12 op13 op14 / cells count row.

Memory allows for 9,114 cells with 2 dimensions for general CROSSTABS.
```

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RIGIN by OP1

OP1 Page 1 of 1

ORIGIN (Count / Row Pct)	1.00	2.00	3.00	Row Total
1.00 Foreign Banks	2 40.0	1 20.0	2 40.0	5 27.8
2.00 Local Banks	4 66.7		2 33.3	6 33.3
3.00 Japanese Banks	4 57.1	1 14.3	2 28.6	7 38.9
Column Total	10 55.6	2 11.1	6 33.3	18 100.0

Number of Missing Observations: 0

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RIGIN by OP2

OP2 Page 1 of 1

ORIGIN (Count / Row Pct)	1.00	2.00	3.00	Row Total
1.00 Foreign Banks	3 60.0	1 20.0	1 20.0	5 27.8
2.00 Local Banks	3 50.0	1 16.7	2 33.3	6 33.3
3.00 Japanese Banks	4 57.1		3 42.9	7 38.9
Column Total	10 55.6	2 11.1	6 33.3	18 100.0

Number of Missing Observations: 0

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RIGIN by OP3

OP3 Page 1 of 1

Count
Row Pct

Row

ORIGIN	1.00	2.00	3.00	Total
1.00 Foreign Banks	3 60.0	1 20.0	1 20.0	5 27.8
2.00 Local Banks	3 50.0		3 50.0	6 33.3
3.00 Japanese Banks	2 28.6	2 28.6	3 42.9	7 38.9
Column Total	8 44.4	3 16.7	7 38.9	18 100.0

Number of Missing Observations: 0

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ORIGIN by OP4

OP4 Page 1 of 1

Count Row Pct ORIGIN	1.00	2.00	3.00	Row Total
1.00 Foreign Banks	3 60.0	1 20.0	1 20.0	5 27.8
2.00 Local Banks	3 50.0	3 50.0		6 33.3
3.00 Japanese Banks	5 71.4	2 28.6		7 38.9
Column Total	11 61.1	6 33.3	1 5.6	18 100.0

Number of Missing Observations: 0

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ORIGIN by OP5

OP5 Page 1 of 1

Count Row Pct ORIGIN	1.00	2.00	3.00	Row Total
1.00 Foreign Banks	5 100.0			5 27.8
2.00 Local Banks	3 50.0	2 33.3	1 16.7	6 33.3
3.00 Japanese Banks	3 42.9	3 42.9	1 14.3	7 38.9
Column Total	11 61.1	5 27.8	2 11.1	18 100.0

Number of Missing Observations: 0

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ORIGIN by OP6

Page 1 of 1

ORIGIN (Count / Row Pct)	OP6 1.00	2.00	3.00	Row Total
1.00 Foreign Banks	1 20.0	2 40.0	2 40.0	5 27.8
2.00 Local Banks	1 16.7	1 16.7	4 66.7	6 33.3
3.00 Japanese Banks	1 14.3	3 42.9	3 42.9	7 38.9
Column Total	3 16.7	6 33.3	9 50.0	18 100.0

Number of Missing Observations: 0

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ORIGIN by OP7

Page 1 of 1

ORIGIN (Count / Row Pct)	OP7 1.00	2.00	3.00	Row Total
1.00 Foreign Banks		2 40.0	3 60.0	5 27.8
2.00 Local Banks	1 16.7	1 16.7	4 66.7	6 33.3
3.00 Japanese Banks		3 42.9	4 57.1	7 38.9
Column Total	1 5.6	6 33.3	11 61.1	18 100.0

Number of Missing Observations: 0

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ORIGIN by OP8

Page 1 of 1

ORIGIN (Count / Row Pct)	OP8 1.00	2.00	3.00	Row Total
1.00 Foreign Banks	2 40.0	2 40.0	1 20.0	5 27.8
2.00 Local Banks	3 50.0	2 33.3	1 16.7	6 33.3
3.00 Japanese Banks	4 57.1	1 14.3	2 28.6	7 38.9
Column	9	5	4	18

Total	50.0	27.8	22.2	100.0

Number of Missing Observations: 0

ORIGIN by OP9

ORIGIN (Count / Row Pct)	OP9 1.00	2.00	3.00	Row Total
1.00 Foreign Banks	2 40.0	2 40.0	1 20.0	5 27.8
2.00 Local Banks	2 33.3	2 33.3	2 33.3	6 33.3
3.00 Japanese Banks	2 28.6	1 14.3	4 57.1	7 38.9
Column Total	6 33.3	5 27.8	7 38.9	18 100.0

Page 1 of 1

Number of Missing Observations: 0

ORIGIN by OP10

ORIGIN (Count / Row Pct)	OP10 1.00	2.00	3.00	Row Total
1.00 Foreign Banks	3 60.0	2 40.0		5 27.8
2.00 Local Banks	4 66.7	1 16.7	1 16.7	6 33.3
3.00 Japanese Banks	4 57.1	3 42.9		7 38.9
Column Total	11 61.1	6 33.3	1 5.6	18 100.0

Page 1 of 1

Number of Missing Observations: 0

ORIGIN by OP11

ORIGIN (Count / Row Pct)	OP11 1.00	2.00	3.00	Row Total
1.00 Foreign Banks			5 100.0	5 27.8
2.00		3	3	6

Page 1 of 1

				Row Total
Local Banks		50.0	50.0	33.3
3.00 Japanese Banks	2 28.6	3 42.9	2 28.6	7 38.9
Column Total	2 11.1	6 33.3	10 55.6	18 100.0

Number of Missing Observations: 0

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ORIGIN by OP12

OP12 Page 1 of 1

ORIGIN (Count / Row Pct)	1.00	2.00	3.00	Row Total
1.00 Foreign Banks	2 40.0	2 40.0	1 20.0	5 27.8
2.00 Local Banks	3 50.0	1 16.7	2 33.3	6 33.3
3.00 Japanese Banks	3 42.9	1 14.3	3 42.9	7 38.9
Column Total	8 44.4	4 22.2	6 33.3	18 100.0

Number of Missing Observations: 0

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ORIGIN by OP13

OP13 Page 1 of 1

ORIGIN (Count / Row Pct)	1.00	2.00	3.00	Row Total
1.00 Foreign Banks	1 20.0	1 20.0	3 60.0	5 27.8
2.00 Local Banks	1 16.7	1 16.7	4 66.7	6 33.3
3.00 Japanese Banks		3 42.9	4 57.1	7 38.9
Column Total	2 11.1	5 27.8	11 61.1	18 100.0

Number of Missing Observations: 0

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ORIGIN by OP14

OP14 Page 1 of 1

Count
Row Pct

Row

ORIGIN	1.00	2.00	3.00	Total
1.00 Foreign Banks	3 60.0	2 40.0		5 27.8
2.00 Local Banks	2 33.3	3 50.0	1 16.7	6 33.3
3.00 Japanese Banks	4 57.1	2 28.6	1 14.3	7 38.9
Column Total	9 50.0	7 38.9	2 11.1	18 100.0

Number of Missing Observations: 0

Appendix 12

The Hong Kong dollar loan/deposit ratio

Appendix 12

Hong Kong Dollar Loan/Customer Deposit Ratio[(a)]

	1989	1990	1991	1992	1993
Local Banks	0.76	0.75	0.75	0.76	0.75
Chinese Banks	0.93	0.87	0.92	0.88	0.80
Multi-branch Foreign banks					
Japan	4.42	4.34	5.35	4.85	3.99
USA	1.34	1.33	1.49	1.26	1.21
Others	1.43	1.33	1.34	1.36	0.82
Single-branch Foreign banks					
Japan	17.62	15.54	11.59	13.56	6.58
USA	3.07	2.92	3.72	3.36	3.08
Others	2.91	3.56	3.71	5.23	3.28
All Banks	1.13	1.11	1.11	1.09	1.02
All RLBs	2.77	2.87	4.18	4.47	9.18
All DTCs	1.29	1.64	2.73	3.68	4.42
All Institution	1.17	1.17	1.20	1.19	1.12

(a) Adjusted to include Swap Deposits

Source : Hong Kong Monetary Authority - Annual Report 1993

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